

MRA SECURITIES LIMITED

CDD/EDD Procedure and Manual

Objective of the CDD/EDD Procedure

The basic purpose of this guideline and procedure to assist the management level officers and the employees of the MRA, who perform the Know your customer (KYC) at the point of open an Account/establishment of business relationship in Brokerage house, and Customer Due Diligence (CDD) and Enhance Due Diligence (EDD) on daily basis in order to prevent the use of brokerage house for ML/TF/PF.

We expect to every front desk employee to carefully understand the following guideline in order to perform their duty and continuously update themselves above the regulatory requirements.

Purpose of Customer Due Diligence “CDD”:

CDD is the process through which Compliance officer (CO) identify and verify the customer identity including beneficial owners, understanding the intended nature and purpose of the business relationship, ownership and control structure of the customer.

Customer Due Diligence “CDD” and Beneficial Ownership (BO)

CO identifies the customer identity including beneficial owners (BO) and authorized person behind the account holder. CO obtain the identity documents as provided in Annexure 1 and verify the identity documents of the customer/BO, authorized person through reliable and independent source such as NADRA Verisys.

CDD should be followed as same as for the Joint holder. Copy of authorization document and all other relevant documents should be maintained all the time with KYC form and CRF.

CO also performed CDD measures in relations to customers that are legal persons or legal arrangements.

- Identification and verification of legal person and arrangements
- Identification and verification of Beneficial owner(s) of legal person and arrangements

CO obtain the identity documents of legal persons as provided in Annexure 1, and verified through reliable and independent source such as NADRA Verisys. Furthermore, obtain below mention documents and information.

1. Name, legal form and proof of existence
2. The powers that regulate and bind the legal person or arrangement, as well as the names of the relevant persons having a senior management position in the legal person or arrangement; and
3. The address of the registered office and, if different, a principal place of business.

CO also obtain the identity documents of beneficial Owner of legal persons as provided in Annexure 1, and verified through reliable and independent source such as NADRA Verisys. Furthermore, obtain below mention documents and information.

1. Identifying the natural person(s) (if any) who ultimately has a controlling ownership interest (as defined under relevant laws) in a legal person; and
2. To the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s) or where no natural person exerts control through ownership interests, the identity of the natural person(s) (if any) exercising control of the legal person or arrangement through other means; and
3. Where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.

CO also obtain the identity documents of beneficial Owner of legal arrangements as provided in Annexure 1, and verified through reliable and independent source such as NADRA Verisys. Furthermore, obtain below mention documents and information.

1. For trusts, the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a chain of control/ownership);
2. For waqfs and other types of legal arrangements, the identity of persons in equivalent or similar positions as specified in (a).
3. Where any of the persons specified in (a) or (b) is a legal person or arrangement, the identity of the beneficial owner of that legal person or arrangement shall be identified.

Where, identification documents and information of customer and beneficial owner are not satisfactory or unverified through reliable and independent source such as NADRA Verisys , said account request should not be processed and obtain renewed and latest identity documents and information for account open.

Government entities accounts shall not be opened in the personal names of the government officials and account which is to be operated by an officer of the Federal or Provincial or Local Government in his/her official capacity, shall be opened only on availability of a special resolution or authority from the concerned administrative department or ministry duly endorsed by the Ministry of Finance or Finance Department/Division of the concerned Government.

For the beneficial ownership in the context of customer (natural person), where a customer seeks to open an account in his/her own name, the CO should inquire whether such person is acting on his own behalf. However, in relation to student, senior citizens and housewife accounts (where doubt exists that the apparent account holder is acting on his own behalf) the CO may obtain a self-declaration for source and beneficial ownership of funds from the customer and perform further due diligence measures accordingly.

CDD Procedure performed by Compliance Officer:

1. Obtain identity documents of customer as Annexure 1 and verified from NADRA Verisys
2. Obtain Source of Income Documents of Customer as Annexure B
3. CO or designated officer of compliance department follows the **Beneficial Owner Identification Procedure** (guidelines adopted by MRA) for identification of BO
4. Verify the identity documents of customer and/or beneficial owner

5. If CO or designated officer of compliance department or designated officer of compliance department found that source of income or wealth statement above to Rs.5 mn, then will perform the Enhance Due Diligence of Client and assign High Risk category.
6. CO shall screen the client name and CNIC in NACTA and UN database, then approve for further process regarding account open.
7. Assign lower risk categorization and open trading account

Purpose of Enhance Due Diligence “EDD”:

When high risk of ML/TF/PF risks are identified in CDD, Enhance due diligence is performed by CO in order to handle high-risk customers and large transactions performed by customer during business relationship.

When Enhanced Due Diligence is needed

- Customer resident of High Risk jurisdiction (within Pakistan) updated under NRA 2019
- Customer resident of FATF non-compliant country
- Customer identified as PEP or close associates and family members
- Customer Identified as High Net worth Individual
- Customer Identified as Non-Resident
- Customer identified as Foreign national
- Customer involves in Cash dealing and Cash Intensive Business
- Customer involves in Clearing and Forwarding Business
- Customer involves in Import Export Business
- Customer involves in dealing of High Value items (Car, Property, Heavy Machinery, High Value Stones etc)
- Beneficial owner identified other than Account holder
- Customer identified as senior level Govt Service holder
- Legal Persons and Arrangement Accounts (Beneficial owner and Directors and Major Shareholders)
- Customer’s income level does not match with his occupation
- Customer identified as Designated non-Financial Businesses and Professions (DNFBPs) under updated NRA 2019
- Customer has Multisource of Fund
- Any other transaction or action or activity, where the ML/TF risks are high

How to Conduct EDD/EDD Measures:

- Employ a Risk-Based Approach for High Risk Customer identified in CDD
- Collecting and verification of the same information as standard CDD
- Obtain additional information (information available through public databases, internet, etc)
- Obtaining information on the source of funds or source of wealth of the customer according to clause f(IV) of Enhance Due diligence of **Guidelines on Anti-Money Laundering, Countering Financing of Terrorism And Proliferation Financing (Updated January, 2021)**

- Updating more regularly the identification data of customer and beneficial owner & Authorize Person
- Obtain information of Ultimate Beneficial Ownership of legal Persons, Directors and authorized person
- Conducting enhanced monitoring of the business relationship and Nature of Transactions
- Obtaining the approval of senior management (Director/CEO) to commence or continue the business relationship

EDD Measures for PEP or Close Associates and Family Members:

Co shall perform EDD measures if a customer or a beneficial owner is PEP or a close associate or family member of PEP before establishing business relationship. Such as

1. Obtain approval from Director/CEO to establish or continue a business relationship where the customer or a beneficial owner is a PEP, close associate or family member of a PEP or subsequently becomes a PEP, close associate and family member of a PEP
2. Take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as a PEP, close associate or family member of a PEP according to clause f(IV) of Enhance Due diligence of **Guidelines on Anti-Money Laundering, Countering Financing of Terrorism And Proliferation Financing (Updated January, 2021)**
3. Conduct enhanced ongoing monitoring of business relations with the customer or beneficial owner identified as a PEP, close associate and family member of a PEP

Documents required under EDD:

1. Verification of Identity
2. Obtain Beneficial identity documents, Jurisdiction and Source of Income
3. Source of Income/Fund
4. Monthly Income level (Salary Slip/Business Income)
5. Wealth Statement paper/ Copy of Return (High Net worth and business holders Individuals)
6. Business Letter Head and FBR Registration Certificate
7. Business Registration Certificate for non-resident business holders
8. Salary Slip, Service Card and copy of bank statement if required
9. Copy of Visa/Iqama for non-resident Salaried Person, copies of remittances
10. Form A and Form 29 (CEO, Director, Company Secretary etc of registered business holders)
11. Any other relevant documents as per Annexure 1

High Risk Jurisdictions in Pakistan:

- As per Updated National Risk Assessment (NRA) 2019, Afghans diaspora, porous border areas (KPK and Baluchistan) and south Punjab (Punjabi sectarian groups and ethnic terrorist groups) posted significant threat to our financial sector. Therefore, all the customers of MRA belong to these high risk jurisdictions shall fall under HIGH RISK category and EDD shall be required in respect of source of income and occupation.

- Further, potential customers (their joint holder(s) or nominee and Beneficial owner or authorized Person), Legal Persons & Arrangements (Beneficial Owners, Directors and Authorize Persons) must be evaluated on the basis of Jurisdictions status under Updated NRA 2019.

No Simplified Due Diligence for High-Risk circumstances

CO should not adopt simplified due diligence measure where the ML/TF risks are high.

Completion of Account Opening Formalities and Authorization

i No account shall be opened until Know Your Customer forms/CDD have been completed in all manners and all necessary documents as per annexure I have been obtained/received and examined to assure that they are valid.