Syed Faraz Equities (Pvt) Limited

Know Your Customer (KYC)

&

Customer Due Diligence (CDD)

Policy

Approved By: Board of Directors
Prepared By: Compliance Department

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1. Purpose

The purpose of this policy is to establish a robust framework for **Know Your Customer (KYC)** and **Customer Due Diligence (CDD)** in accordance with applicable laws and regulations to prevent misuse of the firm's services for **money laundering (ML)** and **terrorist financing (TF)**.

Although **SFEL** does **not handle client custody, settlements, or fund transfers** (handled by a **Professional Clearing Member - PCM**), the firm is responsible for:

- Verifying the identity of clients,
- Conducting risk-based due diligence,
- Monitoring trading behavior,
- Ensuring compliance with AML/CFT obligations.

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2. Regulatory Framework

This policy complies with:

- **SECP AML/CFT Regulations, 2020**
- **Anti-Money Laundering Act, 2010 (as amended)**
- **FATF Recommendations**
- **PSX Rules & Procedures**
- **FMU Guidelines for STR/CTR filing**

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3. Scope

This policy applies to:

- All clients (individuals, corporates, NRPs)
- All employees involved in client onboarding and compliance
- Third-party agents (if any) authorized to introduce clients
- Transactions and accounts opened with [Firm Name]

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4. Key Definitions

- **KYC**: Know Your Customer – process of verifying client identity and risk.
- **CDD**: Customer Due Diligence – risk-based identification and verification.
- **EDD**: Enhanced Due Diligence – additional checks for high-risk clients.
- **PCM**: Professional Clearing Member – third party handling clearing & custody.

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5. Roles and Responsibilities

Role	Responsibility
Compliance Officer	Overall implementation of KYC/CDD
Front-Office Staff	Initial client onboarding and document collection
Back-Office	KYC verification, data entry, and record maintenance
Senior Management	Oversight and policy approval

6. Customer Due Diligence Process

6.1 Client Identification and Verification

Before establishing a relationship, the following information must be obtained:

a. For Individuals:

- CNIC/SNIC/B-Form (verified via NADRA)
- Recent photograph
- Proof of income (salary slip, bank statement, etc.)
- Source of funds (if applicable)
- Contact details and proof of address

b. For Legal Persons/Entities:

- Registration/incorporation documents
- Board resolution to open account
- CNICs of directors/authorized signatories
- Tax/NTN details
- Ownership structure / UBO identification

6.2 Sanctions & Watchlist Screening

All clients must be screened against:

- **UN Sanctions List**
- **NACTA Proscribed Persons List**
- **FATF Sanctioned Jurisdictions**
- **SECP & PSX watchlists**

Clients flagged in any list shall **not be onboarded**, and potential STRs may be filed.

7. Risk-Based Approach

7.1 Client Risk Categorization

Risk Level	Examples
Low Risk	Salaried individuals, pensioners
Medium Risk	Sole proprietors, local SMEs
High Risk	PEPs, NRPs, NGOs, high-net-worth clients, clients from FATF grey/blacklist

7.2 Simplified Due Diligence (SDD)

Applied to low-risk clients:

- Reduced verification requirements
- Lower transaction monitoring frequency

7.3 Enhanced Due Diligence (EDD)

Required for high-risk clients:

- Additional documents on source of funds/wealth
- Senior management approval
- More frequent monitoring

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8. KYC Review & Ongoing Monitoring

Activity	Frequency
Low Risk Client Review	on material change
Medium Risk Review	on material change
High Risk / PEPs	Annually or on material change

Ongoing Monitoring includes:

- Trade volume vs client profile
- Sudden changes in trading patterns
- Unusual activity flags and alerts
- Internal escalation to Compliance/MLRO

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9. KYC Requirements for Joint Accounts / NRPs / Minors

- **Joint Accounts**: CDD must be completed for all holders.
- **Minors**: KYC of guardian required.
- **NRPs**: Passport and valid overseas residence proof; transactions must be routed through proper banking channels.

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10. Record Keeping

As per SECP regulations:

- **KYC/CDD documents** retained for **at least 5 years** or **as per regulations** changes after the business relationship ends.
- All records must be retrievable for SECP, PSX, or FMU inspection.

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11. Suspicious Activity Reporting

If any inconsistency, false documents, or suspicious behavior is detected:

- Front-office or compliance must **immediately escalate to authorized Representative (AR)**.
- AR to evaluate and, if required, submit **Suspicious Transaction Report (STR)** to **FMU** via goAML portal.

Tipping-off is strictly prohibited.

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12. PCM Coordination (Custody/Settlement)

Although **SFEL** is not responsible for custody, the following applies:

- KYC/CDD is performed by **SFEL** before trading begins.
- PCM is provided with verified client data under SLA for custody purposes.
- Any concerns raised by PCM are escalated back to **SFEL**'s **AR**.

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13. Employee Training

- AML/KYC training is mandatory annually for all client-facing staff.
- Training includes regulatory updates, risk indicators, and reporting procedures.
- New employees must undergo AML/KYC orientation within 30 days of joining.

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14. Policy Review

- This policy is reviewed **annually**.
- Updates are made in response to changes in law, FATF status, or SECP guidelines.
- Changes are approved by the **Board of Directors**.

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