**Know Your Clients & Customer Due Diligence Policy Framework**

GPH Securities (Pvt) Limited abiding by the regulatory requirements of Pakistan Stock Exchange (PSX), has developed a policy framework within the organization to safeguard its interest through better screening of Clients. The framework incorporates some guidelines for the management of the company to know their clients through a process of due diligence. The aim is to develop an understanding of how to classify the clients as low risk or high risk and according obtaining enough evidence about the customer.

The company will ensure to correctly indentify its customers, analyze the risk associated with them, do adequate due diligence not only at the time of opening clients account but throughout the trading as well and keep the staff trained to apply all follow these guidelines.

The first step is Customer identification, which is helped through following actions:

1. It is important to collect all the documentary evidence related to the client. Important documentation includes client’s CNIC, NTN, documents of the nominee and contact details; in case of companies and NGOs more related documents will be required.
2. Sole reliance should not be on the documents provided by the client only, for further scrutiny clients are asked to get bank verification at the time of account opening providing increased validation.
3. Documents are not all what the company needs, it is important the client is present in person or in case of companies a designated representative represents the company.
4. Management is encouraged to cross reference the client incase he has traded at other known trading Houses for better evaluation.
5. Some due diligence through the process of customer identification is also considered useful. With the amount of experience that the management has, information regarding the clients age, occupation, knowledge of the stock market and his perspective on investment can help the evaluate the risk associated with the client.

Customer Identification is as important as the Risk Assessment of the client. To determine the client risks following steps are recommended:

1. Non Resident Clients, Companies involved in risky business and NGOs are tagged as high risk entities, therefore, more screening is expected.
2. To determine the risk profile of the client, his source of income is seen as an acceptable tool to determine his risk profile. If the source of income is shady or not clear, if the investments are beyond the perceived source of income than meticulous supervision is advised along with reporting to the exchange if required.
3. Client’s riskiness can be seen if he operates at more than one trading house, if he shifts between houses regularly or if there are outstanding complaints of the client in other houses. All these will assist in betterment risk assessment of the client.
4. Trading activities e.g. if client only buys particulars stocks, if client holds them for a specific time only or if it feels that his investment decisions show some malicious nature them care needs to be taken, and such clients have to be identified as High risk.

All the information collected from the clients in documentary form and intuitively from his trading activities is not enough, management is advised to continue the process of due diligence not only at the time of opening clients account but throughout trading. An on doing due diligence process will help alleviate business risk.

The process of knowing your client is never affective until proper and adequate training is given to the employees to better understand the process. It is recommended that employees and management keep themselves updated on all the new published regulation regarding KYC and CDD, attend all informative sessions provided by the exchange and SECP, and also learn from the fellow staff of other trading houses to improvement the system.

Keeping in view that all the employees are required to be familiar with the process and policy guidelines of KYC and CDD, it is important to identify that the power and authority to accept any client after proper evaluations lies with the CEO and Directors of the company only.

These policies should serve as guidelines and continuous effort is required to follow them and make improvements in them as required. All efforts in following the policy guidelines will be much appreciated.

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