

**Know your Customer (KYC)/
Customer Due Diligence policy (CDD)**

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OBJECTIVE

In order to safeguard itself against the risks of money laundering, terrorist financing, organized criminal activity, drug trafficking, and other illegal activities, it is essential for every financial institution to maintain a robust and clearly defined Know Your Customer (KYC) / Customer Due Diligence (CDD) framework.

Keeping these risks in view, the Securities and Exchange Commission of Pakistan (SECP) has issued the Centralized Know Your Customer (KYC) Organization Rules, 2017 (dated 28 April 2017). This Policy has been developed in alignment with the said Rules and applicable AML/CFT laws and regulations.

KYC / CDD – Defined

Know Your Customer (KYC) / Customer Due Diligence (CDD) refers to the process undertaken by financial institutions to identify their customers and verify relevant information necessary to establish and maintain a business relationship.

KYC / CDD includes, but is not limited to:

- Obtaining evidence of identity and address from the customer and independently verifying such information at the time of establishing the relationship; and
- Obtaining information regarding the customer's source of income, nature of business, and financial profile.

Customer – Defined

For the purpose of this Policy, a *customer* refers to any individual or entity that applies for or maintains an investor account with Mahaana Wealth Management Limited ("the Company").

Elements of the Policy

The KYC / CDD Policy comprises the following key elements:

1. Customer Acceptance Criteria
2. Authentication of Identification
3. Risk Management
4. Enhanced Due Diligence
5. Monitoring and Reporting
6. Updation and Retention of Records
7. Awareness of Stakeholders

1. Customer Acceptance Criteria

1.1 The Company shall accept investors strictly in accordance with the following criteria:

- i. Customer identification: No investor account shall be opened in the name of any person who fails to disclose their identity or provide valid identification documents. A copy of a valid CNIC or NICOP shall be obtained prior to account opening.

- ii. Source of income: Source of income shall be essentially disclosed by the investor. The Company may refuse to accept any investor where the source of income has not been appropriately disclosed.
- iii. Business / employment proof in case source of investor's income is business / employment, name of the business / employer shall also be disclosed.
- iv. Government accounts: In case of Government accounts, it should be ensured that no corporate accounts are opened in the personal names of government officials. For individual account of a govt employee the same criteria shall be applicable as that for a non-government employee.
- v. Completeness of documentation All new investors shall be required to complete the appropriate Account Opening Form and provide necessary documents including valid evidence of identity.
- vi. Responsibility for completeness The Sales Personnel engaged at customer level shall ensure that all documentary evidences and information provided by the investor are complete and consistent.
- vii. Review of completeness Review of completeness of forms received at Mahaana Wealth Head Office. If any, shall be reviewed for completeness. All of the above information is received by Mahaana Wealth Limited digitally through its account opening platform.

2. Authentication of Identification

- 2.1 An integral part of the process of Investor Acceptance is Investor Identification and / or authenticating the identity of the Investor. Investor identification means identifying the person and verifying his/her identity by using reliable, independent source documents, data or information. The nature of information/documents required would also depend on the type of investor (individual, corporate, etc).

2.2 Individual Investor

i. Support for customer identification

In case of an Individual investor, copy of Valid CNIC or NICOP shall be obtained and it shall be verified from VERISYS system of National Database and Registration Authority (NADRA) by MWL. However, wherever required, responsibility of checking validity of CNIC shall be on the Sales Personnel engaged at customer level who shall ensure that CNIC is not expired.

ii. Disclosure of source of Income

It shall be mandatory for all investors opening an account with Mahaana Wealth to disclose their source of income on Mahaana Wealth's Account Opening Form.

iii. Support for income source

In case source of investor's income is from business / employment, adequate supporting document should be obtained as follows:

- **Supporting document for salary income:**

Last 3 months salary slips and last 3 months bank statements must be obtained at the time of upgrading the account to a limit of investment above Rs 800,000 . In addition Zakat exemption certificate/ declaration shall be obtained prior to Zakat date. Employment card / Visiting card / Salary slip /Employment Letter/bank maintenance letter/employer domain name and any other supporting document may also be obtained if deemed necessary.

- **Supporting document for Business income:**

Business card / Business, latest income tax return. Bank Statement must be obtained for the last 3 months in addition the / Business letter head / Undertaking on Stamp paper / any other supporting document may also be obtained if deemed necessary.

iv. Joint account holders

In the case of joint holders, identity verification shall be done in respect of all joint holders in the same manner as mentioned above;

v. Letter of Thanks

Email of Thanks shall be sent to new investors through given address in order to notify the investor that his/her account has been opened. This step will act as a good control measure.

2.3 Corporate Investor

In this case, documentation required shall be with respect to nature of investor.

- i. Joint Stock Company / Trusts
 - Copy of valid CNIC of all Directors / Trustees
 - Certified copy of Memorandum and Articles of association / Trust Deed
 - Certified Copy of Board / Trustee / Governing Body resolution
- ii. Clubs / Societies / Associations
 - Certified Copy of Certificate of Registration /Incorporation
 - Certified Copy of By Laws / Rules / Regulations
 - Certified Copy of Board / Governing Body Resolution
- iii. Executors / Administrators
 - Copy of valid CNIC of all executors / Administrators – Certified
 - Copy of Letter of Administration
- iv. Partnership
 - Details of Partners (Names / Addresses / Phone numbers)
 - Copy of valid CNIC of all partners
 - Certified Copy of partnership Deed
- v. For all cases
 - List of Authorized Signatories with Specimen Signatures on Company Letter head / Certified Copy
 - Valid (Un-expired) CNICs of all the above authorized signatories
 - Tax & Zakat Exemption Certificates / Affidavits are mandatory if exempted

3. Risk Management

3.1 Risk grading

From Company's point of view, the risk associated with an investor account shall be graded as High / Low Risk on the following basis:

(i) Low Risk Investors: Individuals whose identities and sources of wealth can be easily identified shall be considered as low risk. In such cases, only the basic requirements of verifying the identity & location of the investor shall be met. Examples of low-risk investors include:

- Individuals holding CNIC or NICOP
- Government sector employees
- Private sector employees
- Banking ,NBFCs, Micro Finance Bank and their employees
- Public limited companies
- Government Departments.
- Government owned companies.
- Regulators and statutory bodies etc.

(ii) **High Risk Investors**

Enhanced due diligence measures shall be exercised for high-risk investors, especially those for whom the sources of funds are not clear. High Risk investors may include:

- Non-governmental organizations (NGOs)
- Housewives
- Holders of public or high-profile positions/politically exposed persons (PEP)
- Not-for-profit organizations (NPOs)
- Private Companies
- Trusts / Charities
- All other types of investors

4. Enhanced Due Diligence (EDD)

Following Enhanced Due Diligence (EDD) process shall be performed for each category of the customers rated as High-Risk Investors.

4.1 Non-government organizations (NGOs)/ Not-for-profit organization / Trust / Charities

For non-government organizations (NGOs)/ Not-for-profit organization / Trust / Charities following Enhanced Due Diligence procedures will be required:

4.1.3 Enhanced Due Diligence should be conducted while establishing relationship with NGOs to ensure these accounts are used for legitimate purposes. Approval from Business/ Sales Head/ CEO (on email) will be obtained prior to opening of such accounts.

- 4.1.3 The accounts should be opened in the name of relevant NGO/NPO as per title given in its constituent documents of the entity.
- 4.1.3 Obtain Copy of CNIC/Passport (in case of foreign national) from individuals who are authorized to operate these accounts and members of their governing body.

4.2 Housewives

In relation to the housewives following additional procedure will be performed.

- 4.2.1 Obtain a self-declaration for source of income and beneficial ownership of funds.
- 4.2.2 Update details of funds providers, if any along with the customer profile.
- 4.2.3 Obtain CNIC copy of the beneficial owner and verify the same from NADRA verisys.
- 4.2.4 Obtain evidence of the source of income of the funds providers / beneficial owner.

4.3 Holders of public or high-profile positions / Politically Exposed Person (PEP)

In relation to Holders of public or high-profile positions / Politically Exposed Person (PEP) following additional procedure shall be performed:

- 4.3.1 Obtain approval from Business/ Sales Head/ CEO (on email) to establish or continue business relations where the customer or a beneficial owner is a PEP.
- 4.3.3 Conduct during the course of business relationships, enhanced monitoring of business relations with the customer.
- 4.3.3 Check the PEP exposure of customers against the PEP exposure database.

4.4 Private Companies

Following procedures will be required for opening accounts of the private companies:

- 4.4.1 Obtain Copy of NICOP/Passport (in case of foreign national) from individuals who are authorized to operate these accounts
- 4.4.2 Verify NICOP/Passport of the all the relevant person against the original passport if the foreign nationals are working and/or living Pakistan.
- 4.4.3 Obtain approval of the Board of Directors for opening account with Funds under the management of Mahaana Wealth Management Limited.

4.5 Miscellaneous:

- 4.5.1 Third party payment for redemption is allowed only if the payment is being made to the joint account holder after taking 3rd party letter from the principal account holder.
- 4.5.2 Investment through 3rd party cheque should be supplemented with the signed third party letter by the cheque issuer.
- 4.5.3 No 3rd party investment shall be entertained if the payment instrument is drawn at sales person's bank account.
- 4.5.4 Unit transfer from one customer to another shall be restricted to blood relations only.

5. Monitoring and Reporting

5.1 Basis of monitoring

Continuous monitoring is an essential ingredient of effective KYC procedures, and the extent of monitoring should be according to the risk sensitivity of the account.

5.2 Frequency of monitoring

There will be no regular reporting to the regulator on KYC/CDD/AML except when senior management has reasonable grounds to reach the conclusion that a specific transaction or client is involved in suspicious / money laundering activities. In such case, the instance shall be reported as a 'suspicious transaction'.

5.3 Indicative list of suspicious transactions

The following is an indicative list of suspicious transactions:

- Cash Transactions (If any):
- Third Party incoming payments:
- Transactions that do not make economic sense:
- Certain Suspicious Funds Transfer Activities
- Unusual Activities

6. Updation & Retention of Records

6.1 A continuous process

Know Your Customer is an ongoing process. The foundation of any customer due diligence and monitoring procedures lies in the initial collection of "Know Your Customer" information and in case if high risk and PEP customers the annual ongoing updating of that information. By keeping accurate and up-to-date investor records, the Company not only manages the risk but also reassures the investors that the Company cares about them.

In cases where it is extremely difficult to comply with a certain requirement as mentioned in this policy, the provision of any relaxation shall be considered by the Head of Compliance in consultation with the CEO.

6.2 Change in investor details

In case change in any of the following particulars, is requested by the investor, Mahaana Wealth's, confirm genuineness of operation team, based on which Operations Officer will make the change in investor's records.

- (i) Change in Address
- (ii) Change in phone number
- (iii) Change in Bank Account details

6.3 Updation of Investor records

Investor records may also be updated when:

- Investors carry out a transaction.
- Investor visits the Company's office.
- Investor calls the Company for any information.
- At the time of sending account statements (Through reply envelope)
- At the time of sending FMR or any other communication.

6.4 Responsibility for records

The complete and accurate record of investors' information and transactions shall be maintained by the Company in line with the details submitted by the investors.

6.5 Retention of records

The details regarding the investors' identification data, account files and business correspondence shall be retained for at least five years after the business relationship is ended.

7. Awareness of Stakeholders

7.1 Internal stakeholders

For this purpose, training shall be provided on this KYC / CDD policy by Compliance Department. The focus of training shall be different for Operations Department and the staff dealing with new investors such as sales team.

7.2 External stakeholders

The Company shall educate its investors about KYC / CDD requirements through its website or sales team, distributors and investment facilitators. For this purpose, pamphlets/ brochures/ other educational material may also be used by the Company.

7.3 Reliability of information submitted

The KYC / CDD program is dependent on the provision of required information by the investor; therefore, any information/ disclosure provided by the investor will be considered as true and fair unless the Company has reasonable grounds to believe otherwise.