

# TARIQ VOHRA SECURITIES (PRIVATE) LIMITED

## INTERNAL CONTROL POLICY/PROCEDURES

### A. BROKRAGE OPERATIONS (BOTH AT HEAD OFFICE AND BRANCHES, WHERE APPLICABLE)

#### 1. Account Opening, KYC/AML Procedures and Processes

1.1 The Brokerage House maintains readily available list of all new and existing customers in software and also keep a record of their account opening forms. (1.1 of the Guidelines)

1.2 Effective Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and procedures has been developed in accordance with the Guidelines issued by Pakistan Stock Exchange containing the following information and documents for each of the client of the Brokerage House: (1.2 & 1.3 of the Guidelines)

<b>Individual/ Sole proprietorship</b>	<b>Partnership</b>	<b>Institutions/ Corporates</b>
Copy of CNIC of Principal and Joint holders/ NICOP for Non-Residential Pakistanis	Name of Partnership and partners	Name of Directors and Officers
Passport for Foreign Nationals	Copy of CNIC/NICOP of all partners	Registered address
Evidence of sources of income	Partnership deed	Copy of CNIC/NICOP of all directors and authorized signatories
Business/Employment proof	Copy of latest financials	Certificate of Incorporation
NTN certificate (if available)	Certificate of registration (if registered partnership firm)	Certificate of commencement of business
Nominee details (Not in case of joint holders)	NTN Certificate	Certified copy of Board resolution
Proof of ownership of mobile number in the name of investor		Memorandum & Articles of Association/ Bye Laws/ Trust Deed
		Audited accounts of the Institution/ Corporates

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# TARIQ VOHRA SECURITIES (PRIVATE) LIMITED

## INTERNAL CONTROL POLICY/PROCEDURES

Trust	Club Societies and Associates	Executors/ Administrators
Copy of CNIC of all Trustees	List of Members of Governing Body	Copy of CNIC of all Executors/ Administrators
Certified copy of Trust Deed	Copy of CNIC/ NICOP of members of Governing Body	Certified copy of letter of administration
Copy of latest financials of the Trust	Certified copy of certificate of Registration	
Document evidence of tax – Exemption (if any)	Certified copy of By-Laws/Rules and Regulations	
Trustee/ Governing Body Resolution	Copy of latest financials of Society/ Association	
	Resolution of Board/ Governing Body	

### 1.2.1 Customer Identification

i. The Compliance Officer ensures that no anonymous account or account that is in the name of fictitious person(s) is opened. He takes all following described steps to confirm the true identity of the prospective customer(s) and to collect all relevant information to ascertain the identity of the real controlling party/beneficial owner of the trading account. For this purpose, he possesses the authority to collect the following documents and information along with copy of any utility bills or making a telephone call from recorded line at residential or business address of client(s) for verification of information provided, list of documents to be obtained as per KYC/CDD Checklist and check in screening software for family members, if not found, ask for details from prospective customer(s). Further, KYC and CDD policies and procedures are fully applied for identification of customer, KYC/CDD checklist attached as “Annexure-3”.

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ii. In case, a customer is acting on behalf of another person(s), the Compliance Officer take the following mentioned step(s) that all the relevant documents should be obtained to determine the true identity of that person.

iii. For corporate clients (partnership/companies/ corporate bodies), the Compliance Officer takes reasonable measures to identify the beneficial ownership and control structure of the dealing with the Brokerage House. For this purpose, the Compliance Officer seeks additional information along with SAOF to identify the person(s) with controlling interest.

iv. For corporate clients (partnership/companies/ corporate bodies), the Compliance Officer get that authorization letter/ board resolution of such person(s) who deal with the Brokerage House on behalf of the customer. Checklist of SAOF for partnership/companies/ corporate bodies is being used for this purpose.

v. The Compliance Officer ensures that accounts of partnership/companies/ corporate bodies are not opened in the individual name of any employee/ official. Compliance Officer further ensures that Government accounts are not to be opened in the personal name of any Government official.

vi. Where an account is to be operated by an officer of the Federal/Provincial/Local Government in his/her official capacity, it is opened only on production of a special resolution/ authority from the concerned administrative department duly endorsed by the Ministry of Finance or Finance Department of the concerned Provincial or Local Government.

vii. In all cases of non-resident status of customer, complete account detail is collected as per SAOF from the customer to fulfill the requirement for opening account.

viii. All individual(s) customers are compulsory to physically appear in the office(s) of Brokerage House at the time of opening of his/her/their account(s). In case, the customer(s) are in cities  
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where we do not have the office(s), the customer is required to physically appear in Brokerage House nearby office.

ix. In case of non-resident customer, Brokerage House verifies the customer credibility and related risk from third party like confirmation from previous broker of the customer, foreign employer of the non-resident (if possible) or from any other reliable source.

### **1.2.2 Risk Assessment**

(1.10, 1.14, 1.15 of the Guidelines)

The Brokerage House performs the risk assessment of all the existing and prospective customers on the basis of information obtained regarding their identity, nature of income, source of funding, location etc. and based on the results of such assessment, categorize their customers among high risk, medium risk and low risk customers. The Brokerage House has developed guidelines for identification of High Risk customers which includes:

- Customer(s) having non-resident status.
- Legal persons or arrangements including non-governmental organizations. (NGOs) / not-for-profit organizations (NPOs) and trusts / charities.
- The customer(s) belonging to countries where CDD / KYC and anti-money laundering regulations are relaxed.
- The customer(s) whose business or activities present a higher risk of money laundering such as cash-based businesses like currency exchange dealers.

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- The customer(s) with links to offshore tax havens.

Signed Risk Disclosure Document and related acknowledgement of understanding of risk, as per the specimen provided by the securities exchange containing all basic risk involved in trading in securities and risk associates with trading in derivatives and leverage products, must be obtained from each customer through account opening form.

- The high net worth customers with no clearly identifiable source of income.
- Any customer(s) with any reason to believe that has been refused brokerage services by another Brokerage House.
- Non-face-to-face / on-line customers.
- The customer(s) are establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations; and
- Government Serving Officers
- Politically Exposed Persons (PEPs) or customers holding public or high-profile positions

Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions for example senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves.

The Brokerage House strictly refuses to open any account of a person who involves at any stage  
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in money laundering and terrorist financing or funding.

### **1.2.3 Enhanced Due Diligence**

(1.11, 1.17 of the Guidelines)

The Brokerage House applies Enhanced Due Diligence (EDD) when dealing with high-risk customers. Their positions and transactions are closely monitored specially payment and receipts of high-risk customers and any unusual transactions are reported to exchange immediately. Special permission of CEO is required for opening account of high risk customer. On confirmation of any illegal activity by the high risk client, Brokerage House immediately terminates the business relationship with him and submits a suspicious transaction report to exchange immediately through CEO. Checklist for high risk customers have been attached as “Annexure-3”.

### **1.2.4 On-going Due Diligence**

(1.8, 1.9, 1.12 of the Guidelines)

Customer Due Diligence (CDD) is not a one-time exercise, it is on-going process with the customer(s) relationship and scrutiny of transactions is undertaken to ensure that the transactions executed in a particular account are consistent with the knowledge of the customer, its business and risk profile, historical pattern of transactions and the pattern and source of funding of the account. Brokerage House ensures that the customer records are updated as and when required and sufficient information is obtained regarding any significant change in the customer(s) profile.

### **1.2.4 Simplified Due Diligence**

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1.2.4.1 The Brokerage House is applied simplified or reduced CDD measures in the following circumstances:

- Risk of money laundering or terrorist financing is insignificant
- Information on the identity of the customer and the beneficial owner of a customer is publicly available
- Adequate checks and controls exist

1.2.4.2 Accordingly, following customers may be considered for simplified or reduced CDD:

- Financial institutions which are subject to requirements to combat money laundering and terrorist financing consistent with the FATF recommendations and are supervised for compliance with those controls
- Public companies that are subject to regulatory requirements
- Government administrations or enterprises

When Brokerage House goes for simplified or reduced due diligence, the FATF guidelines in this regard are always considered. Simplified CDD is not followed when there is an identified risk of money laundering or terrorist financing.

1.3 The Brokerage House ensures the retention of the records of the customer's as per applicable laws and identification their updation on a timely basis. (1.4 of the Guidelines).

**Policy for Data Retention:**

All documents related KYC, account opening (SAOF), any correspondence with the clients and regulators and other related record are being kept safe under lock for a minimum period of five years.

1.4 The Compliance Officer gives approval of the opening of account of the customers and prepares a checklist for all the relevant supporting documents to be obtained in this process. The approval is based on duly filled checklist which covers the major areas of KYC guidelines. (1.5 of the Guidelines).

1.5 The Compliance Officer matches total number of accounts opened & client codes with the account opening forms and the checklist attached on regular intervals especially whenever there is any additional requirement to update the forms etc. (1.6 of the Guidelines).

1.6 Sufficient information as referred above in paragraph 1.2 and 1.3 is obtained and documented on the intended nature of the account to be opened/ maintained. (1.7 of the Guidelines).

1.7 The Brokerage House has formulated and devised effective in-house and out-source on-going employee training programs to ensure that the employees understand their duties regarding compliance of all relevant laws and other anti-money laundering obligations and are able to perform the same on a satisfactory level (1.13 of the Guidelines).

1.8 Client is provided with the CDC setup report for signatures. Copy of complete set of Account Opening form is also provided to the client for his record. Further, a copy of the UIN Post Report is also provided to the Customer to ascertain that consistent and accurate information is entered in all relevant systems (Form 1A). (1.16 of the Guidelines)

## **2. Periodic Reporting to Customers**

2.1 To comply the CDC and PSX regulatory requirements for sending securities balance reports  
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and account statements, following policies are being followed; (2.1 of the Guidelines)

- Transmission of trade confirmation to be transmitted within twenty-four hours of execution of order in the prescribed format
- Circulation of quarterly account statement to each of its clients in a manner and with at-least such information as prescribed by the regulations
- Duplicates or counterfoils of memos/confirmation issued to clients to be preserved for a period of not less than five years

2.2 The Compliance Officer ensures continuous compliance with the above policies. (2.2 of the Guidelines)

### **3. Account Closing**

3.1 The Compliance Officer ensures that the following regulatory requirements have been fulfilled before and after the closing of Customer's Account; (3.1 to 3.4 of the Guidelines)

- **At the time of Account Closure:**
  1. Settlement of outstanding balance in the client's regular bank account (money and shares/securities held on client's behalf);
  2. Criteria for account closing date; whether after settlement or the date of application of account closing.
- **Subsequent to the Account Closure:**
  1. There is no balance/ securities outstanding against the customers;
  2. Customer's money has been transferred/ settled;
  3. No transaction is carried out subsequent to account closing date;
  4. Requisite certifications and clearances as prescribed under the applicable regulatory framework have been obtained for closing the account.

4. Controls over order acceptance and execution to ensure compliance with regulatory requirements

(4.1-4.6 of the Guidelines)

#### **4.1 Policy to deal on behalf of a Customer:**

- The Brokerage House does not deal in securities on account of customer without written approval obtained (through account opening form or otherwise)

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- Authorize person takes reasonable measures to execute the orders placed by the customers on the most advantageous terms as expeditiously as practical in the prevailing market conditions only after the instructions obtained from customers either in written or through recorded line.
- The chronological register is being maintained in electronic form including the logs generated from the system and telephone recording for a period required by the regulations.
- Records pertaining to all orders received from customers in writing or through any other document, fax, email, or through any other means is being preserved for a period as required by the regulations.
- The Compliance Officer has given the authority to match trades executed on behalf of customer with the instruction on a test basis at any point of time.

## **5. Segregation of duties**

(5.1-5.3 of the Guidelines)

- The Brokerage House has assigned clear lines of responsibility, authority and tasks that are adequately assigned to its employees and accredited representatives through their Appointment Letters.
- There is segregation between front office and back office functions. Accordingly, person responsible or authorized to execute proprietary trades or client trading will not have access to books of accounts and will not have authority to access/ modify the back office record.
- Proprietary Trade is executed only with approval of the CEO duly authenticated by the BOD.

## **6. Trading in Brokerage Operations/ Trade Review Procedures to detect violation with regulations**

(6.1-6.4 of the Guidelines)

Operational Manual

- Trades in the customer accounts (over phone, off-site terminal) is only executed by the SOP'S

authorized personnel as per the customer account / custody balance in accordance with the defined procedures.

- Deposit taking (on fixed/promised returns)/illegal trading activities (e.g. wash trades, insider trading etc.) is completely prohibited by all employees/dealers/accredited representatives of the Brokerage House. This is communicated to each employee at the time of his/her appointment.
- Amount transferred from the Brokerage House's bank account to NCCPL account for settlement of position and transactions from daily NCCPL bank activity report is done on the same date. Excess/ short payment, if any, and reasons are reviewed and documented immediately.
- The Brokerage House maintains the segregated of customer balances to prevent misuse of the clients' funds.
- Designated bank account(s) are being maintained to ensure that funds of the clients are not being used by the Brokerage House for its operations. Further, proper record of receipts and payments from customer are also being maintained containing complete particulars of the customers.
- Clients' securities pledge/movement are made subject to the authorization by the respective client(s).
- Reconciliation of customers ledgers are being made on monthly basis with the NCCPL and CDC balances.
- To ensure roll forward of future contracts are carried accurately and corresponding margin calls, if any, are made on timely basis from customer, books of account will be monthly reconciled with the reports generated by the NCCPL and CDC.
- Order register, trading system generated reports, activity log and customer telephonic trading call logs are being maintained for a minimum period prescribed by the applicable rules and regulations.
- Following Trade Policy is followed by the employees:

All types of order, placing by clients are executed through KATS/KITS Terminals placed at head office  
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of the Brokerage House. A client can place his/ her order through:

- a. Concern Trader
- b. KATs/ TWS Operator or designated officer
- c. His/ her own online trading terminal provided by TVS

In case of Orders through Trader, Clients place their orders with the traders and KATs/ TWSs Operator or designated officer through following modes:

- a. Telephone (including mobile phones) \*
- b. E-mail (registered with TVS)
- c. Internet Messenger
- d. Face to Face \*\*

\* Telephone lines with Voice Logging facility shall be used for receiving orders.

\*\* All orders shall be noted in Order Log Book for placement and execution the concern trader or KATs/ TWS Operator or designated officer and obtain counter signature from client.

- Compliance Officer ensures the strict compliance this Operational Manual.

## **7. Custody, Segregation of Customers' Assets**

(7.1-7.5 of the Guidelines)

### **Policy for Custody, Segregation of Customers' Assets**

The Brokerage House has devised stringent policies in respect of Separation of Custody/ segregation of clients' assets with own assets is maintained to prevent misuse of client assets to protect embezzlement, cover up theft, and prevent fraud regarding client's assets.

### **Responsibility of the Compliance Officer**

In addition to other measures, the responsibility of the Compliance Officer is as under to ensure the segregation of clients' assets from the assets of the Brokerage House.

The Compliance Officer ensures the accuracy of Client Assets Segregation Statement (CASS) herein after called "the statement", prepared at least on fortnightly basis in accordance with the following methodology;

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- a) Total number of securities held in securities brokers account and in clients' accounts reported in the Statement is matched with the system generated report of the back office system and CDC Account Balance Summary Report.
- b) Total number of pledged securities under each of the following classifications held in own account and in clients' accounts reported in the Statement with the CDC Pledger Balance Activity Report should be matched:
- Securities pledged with PSX / NCCPL;
  - Securities pledged with banks.
- c) Total number of securities held in house account and in clients' accounts reported in the Statement is in agreement with the total number of securities held as per CDC records as reported in the Statement.
- d) All the securities are duly reported in the Statement.
- e) Amount of Trade payables reported in the Statement is matched with the books of accounts as at cutoff date.
- f) Amount of Cash at bank(s) [designated as clients' account(s)] reported in the Statement is matched with the amount in the bank statements of respective bank(s) at the cutoff date.
- g) Amount of Trade payables as reported in the Statement is in agreement with the balance of designated bank account(s) as reported in the Statement.
- h) As per the instruction of BOD, the Compliance Officer ensures the timely fortnightly (un-verified) submission of the statement, while audited submission of the statement within 45 days of close of the financial year to Pakistan Stock Exchange.

As per the instruction of BOD, the Brokerage House through Compliance Officer ensures;

- To keep all clients' monies & securities segregated and secure from its own assets
- To maintain a separate bank account(s), with word "clients" in the title to hold clients' money.
- At any point in time, clients' payable as per clients' ledgers (books of account) are supported

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with equivalent amount of in clients' bank account(s).

- At any point in time, clients' securities position as per back office record is supported with equivalent holding balances as per CDS record.
- Any difference is justified through reconciling items. Unresolved discrepancies are reported to the CEO for taking immediate remedial action.
- In case the Brokerage House fails to rectify the position within three business days, the matter is reported to the Commission and the securities exchange by the Compliance Officer.

## **8. Maintenance of Net Capital Balance/ Liquid Capital/ BMC Requirements**

(8.1-8.6 of the Guidelines)

The BOD has approved the following procedures in respect of compilation, bench marks and filing of NCB, LCB and BMC and assign to ensure respective compliance.

- The Brokerage House complies with the requirements given in the Third Schedule of the Securities and Exchange Rules 1971, the Securities Brokers (licensing and Operations) Regulations 2016 and the clarifications issued by Securities and Exchange Commission of Pakistan (SECP) for maintaining net capital balance.
- The Compliance function ensures that the calculation of Net Capital Balance (NCB)/ Liquid Capital is made in accordance with Schedule II & III of the Regulations. The calculation is reconciled with the back office record.
- NCB/ Liquid capital is reported to the Stock Exchange in accordance with the Guidelines prescribed by the regulator.
- The Brokerage House complies with the requisite Liquid Capital and BMC requirements.
- The Brokerage House submits an audited Statement of NBC/ Liquid Capital semiannually.
- The Compliance Officer ensures the accuracy and timely filing of the above statements.

## **9. Brokerage Commission**

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(9.1-9.9 of the Guidelines)

- Rate of Brokerage Commission is approved by the CEO adherence to the minimum brokerage commission rates prescribed by PSX under the normal circumstances, if any.
- Applicable brokerage commission is disclosed to the customer(s) at the time of account opening and acknowledgement of the same is obtained along with account opening form or otherwise. Further, any change in the cost charged to the customer is communicated to the customer in advance.
- The Compliance Officer ensures that commission rates are properly allocated to each customer as agreed in writing and properly updated from time to time. For this purpose, the Compliance Officer;
  - Ensures that approved brokerage commission is in accordance with the policy and is charged to individuals, corporate and other clients as per the terms of agreement
  - ensures that commission rates are adequately maintained in the master data list and are incorporated in IT System and related IT controls are in place and reviewed on regular basis
  - reviews on sample basis, invoice or bill issued to clients has been duly reflected in respective clients' ledger as well as ledger of commission income
  - Reviews Ledger account of commission income to check that if any adjustment is appearing therein. If so, check nature of such adjustment(s) whether it is used to refund commission to clients
  - Comparison of the commission income appearing in ledger(s) with figures appearing in audited financial statements is carried out
  - Reviews ledger account of commission expense to ensure if any adjustment is appearing therein. If, so, check nature of such adjustment(s) whether it is used to adjust the commission.
  - Reviews dealer/agent wise commission to check un-accredited representatives Of unauthorized branches.

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## **10. Conflict of interest**

(10.1-10.8 of the Guidelines)

The BOD has devised and approved following policies and procedures in respect of conflict of interest.

- Conflict of interest between employees/accredited representatives:

Any employee/accredited representatives facing conflict of interest immediately inform the CEO. The CEO immediately address this matter by issuing the written instructions. The

Compliance Officer ensures the execution of these instructions. A Chinese wall is also created between staff performing conflicting duties and timely disclosures to clients.

Instances of conflict of interest may include where Brokerage House is also book runner for a book building or acting as consultant for an issuer company etc.

In case of any conflict of interest arises between the Brokerage House and the customer; it is immediately communicated to the client(s). The Brokerage House acts in the best interest of the customer and as matter of policy, no direct or indirect advantage is gained from the said situation.

- Compliance Officer ensures above mentioned of policy of conflict of interest and in case of any breach of policies by employees or accredited representatives, proper investigation is carried out and action is in ken by the CEO.

## **11. Confidentiality of Information**

(11.1-11.2 of the Guidelines)

The BOD has devised and approved following polices and procedures in respect of confidentiality of information.

- **Policy of Confidentiality**

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Orders placed by any client are kept secret/ confidential

- Market sensitive information from one division/ department to another is not disseminated unless required in writing
- Individuals making proprietary investment decisions are not trading on the basis of material nonpublic information obtained from another department or unit of the Brokerage House
- The Brokerage House, its employees and accredited representatives neither profit nor seek to profit from confidential information, nor provide such information to anyone with the objective of making profit for itself or for its customers
- The Brokerage House, its employees and accredited representatives refrains from trading on the basis of confidential information, and its employees and accredited representatives do not reveal such information outside the Brokerage House.
- The Brokerage House and its employees and accredited representatives do not disclose or discuss with any other person other than normal course of business or make improper use of the details of investments of customers and other information of confidential nature of a customer.
- To ensure proper implementation of confidentiality policy, written confirmation is obtained from each member of BOD and staff.

## **12. Controls over trading by employees including proprietary, employees and associates trading through other brokerage houses**

(12.1-12.4 of the Guidelines)

The BOD of the Brokerage House developed and approved following policies in respect of trading by employees including proprietary, employees and associates through other brokerage houses.

- i. Document containing disclosure by every employee and accredited representative of any securities held by employee, spouse and /or dependent children along with details of their accounts with a Brokerage House is required to be provided to the Compliance Officer;
- ii. It is obligatory for an employee/accredited representative to obtain written approval for

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trading for their own personal accounts or on behalf of their spouses and/or dependent children;

iii. Approval or rejection of an application seeking trading or investment in securities by employees and accredited representatives is made by Compliance Officer which is duly endorsed by the CEO;

iv. Disclosure of securities held by employees and accredited representatives and their spouses and dependent children is annually made to Compliance Officer, containing reporting of actual transactions, including volume, date and price, in a timely manner;

v. There is restriction on employees and accredited representatives from deriving any benefit or personal advantage from information which is generally not available and which is obtained by reason of or in the course of their employment with the Brokerage House;

vi. There is no bar on minimum holding period but Brokerage House discourages frequent short-term trading or trading for speculative purposes;

vii. To restrict the misuse of confidential information, trading windows and blackout periods as prescribed from time to time; and

viii. Every employee and accredited representative ensure compliance with the code of conduct and other requirements specified by the securities exchange.

- **Proprietary Trade**

i. The CEO approves the list of employees, from time to time, who are authorized to operate the proprietary trading accounts along with the authorized terminals.

ii. The proprietary trades of a Brokerage House are executed through designated terminals and by designated systems operators only.

- **Trading Through Another Brokerage House**

It is clearly communicated to every employee of the Brokerage House that no employee and accredited representative, including employee serving as director on its board, is allowed from trading through another securities broker of the same securities exchange. Strict action as per regulations is taken in case any personnel is found involved in such activity.

### **13. Customer Complaints**

(13.1-13.4 of the Guidelines)

The BOD of the Brokerage House has devised the following policies and procedures in respect of customer(s) complaints and its resolution.

- The Compliance Officer is responsible for handling of customer complaints. For this purpose, the Compliance Officer maintains a register of complaints containing complete particulars regarding each complain either in soft or hard form.
- Special attention is given for any unusual or frequent complaints which indicate Control deficiency.
- Resolution of customers' queries is made within 7 days.
- CEO periodically reviews, monitors and ensures proper handling and appropriate remedial action of customer complaints is carried out.
- Unresolved complaints beyond required timeline are communicated to the CEO along with reasons of delay. The CEO reviews and resolves the matter immediately after consultation with the Compliance Officer.
- Quarterly reports regarding number of complaints received, redressed and unresolved are submitted to the PSX, if any.

### **14. Short Selling Requirements**

(14.1-14.6 of the Guidelines)

The BOD of the Brokerage House has devised following policies and procedures in respect of Short Sale.

The Brokerage House makes a Short Sale on its proprietary account or client's account only if;

a) Short Sale is made at an Uptick or Zero-Plus Tick except as stated and permitted by the exchange; and

b) Short Sale is declared as a Short Sale at the time of placement of order through Trading System in a special Short Sale Order Window designated in the system for this purpose.

Provided that Brokerage House do not enter Short Sale order in the Trading System if the client has not indicated whether the sale order is a Short Sale or a Sale with on recorded

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line or in writing.

c) It is obligatory for the Short Seller (customer) to make delivery of the net shares involved in the Short Sale on the day of settlement.

d) Before every transaction of Short Sale, it is ensured that the customer is aware of the risks involved in Short Sale and has the financial capacity to assume such risks.

e) The Compliance Officer ensures the compliance with this policy in respect of all Short Sale to identify trades that may violate the provision of the Act and any rules and regulations made thereunder by the Exchange.

It is very clear policy of the Brokerage House that:

- No Blank Sale is made in the Ready Delivery Contract Market either for its own account or for its clients.
- To prevent blank sales, production of evidence of holding of securities by the customer, if the securities are not held under custody with broker (e.g. securities held in the Investor's Account), is mandatory.

#### **15. Controls over completeness, accuracy and authenticity of back office record and data**

(15.1-15.2 of the Guidelines)

To ensure completeness, accuracy and authenticity of back office record and data following controls are approved by the BOD of the Brokerage House:

- Proper log and sequencing of all input data and transaction documents are maintained for a period of five years.
- Operating System and Database controls as specified in these SOPs are devised and followed including proper indexing and arranging of all deals and transactions so as to permit prompt access to any particular record
- IT controls as detailed in these SOPs are devised and followed.
- Contingency Plan regarding Disaster Recovery as specified these SOPs is devised to ensure continuity of its operations in the event of disaster or crisis as detailed in the regulations.
- Processing and recording of transactions as mentioned in the relevant section is being SOP'S

followed for all transactions

- The recording of telephone orders placed by the customers' is kept by the I.T Department for a minimum period prescribed by the applicable laws and regulations.
- Brokerage amount is calculated by the system automatically on the basis of brokerage rate entered in the system at the time of account opening.
- Adjustment (If any) to the amount of brokerage is made only after approval mail from traders.
- All the equity brokerage transactions entered into by the Brokerage House is settled through NCCPL.
- The Accounts Manager compares the Trade Summary (System Generated Report of Trades) with NCCPL clearing report by comparing net amount receivable / payable as per NCCPL report extracted from NCCPL terminal, in order to ensure that there are no unrecorded transactions. In case a difference is identified between the Trade Summary and NCCPL report, reconciliations are prepared.
- The reconciliations are reviewed by the personnel designated by the CEO.
- Physical access to back office data is restricted to authorized persons only. List of authorized persons is made and communicated to employees from time to time.

## **B. FINANCE**

### **16 Financial statement closing process**

The BOD of the Brokerage House has devised following policies and procedures in respect of finalization of financial statements.

#### **Preparation of financial statements (16.1-16.3of the Guidelines)**

16.1 Finance Manager prepares draft financial statement and its disclosures based on the system generated trial balance and information received from various departments and ensures the completeness of disclosures in the financial statements under applicable laws and regulations.

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**Reconciliation of house securities with CDC/NCCPL (16.4-16.6 of the Guidelines)**

16.2 Finance Manager prepares reconciliations with CDC/NCCPL on monthly basis. These reconciliations along with related adjustments are approved by the Compliance Officer.

**Recording of tax expense, withholdings and payments (16.7-16.9 of the Guidelines)**

16.3 Current and deferred taxation workings are prepared by the tax consultant at the end of each financial year. Correctness of these workings are ensured by the Finance Manager.

These are incorporated after due verification by the statutory auditor.

16.4 The Finance Manager ensures the deduction and timely deposit of withholding taxes on payments to customers/vendors as per the requirements of applicable income and sales tax laws.

**C. FIXED ASSETS/INTANGIBLE ASSETS**

**17 Addition, Deletions, Adjustment, Write-off**

(17.1-17.12 of the Guidelines)

17.1 Requisition request is being issued for the capital expenditure by the relevant person containing the reason, description and amount. Verbal request is acceptable to the extent of capital expenditure amounting Rs.100,000.

17.2 Quotations are obtained for capital expenditure amounting Rs.500,000. Award of quotation is based upon the rate and quality of the goods.

17.3 Upon successful delivery and quality check, payment is being made to the vendor based upon the verifiable invoice. Afterwards, the tagging and entry in Fixed Assets is recorded by the Finance Department.

17.4 Disposal of asset is approved by the CEO and related details are sent to the finance department for recording in general ledger and fixed asset register accordingly.

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17.5 Internal Audit Officer performs physical count of assets and reconcile it to fixed asset register in order to determine whether any adjustments/write-offs are required due to impairment or any other factor. Related findings are later scrutinized and related adjustments are incorporated in general ledgers and fixed asset register.

17.6 Depreciation is being computed by the Finance Manager, based upon the rates approved by the BOD which are consistently applied, at the end of each month/year and related adjustments are duly made in the fixed asset register accordingly.

## **18 Maintenance of Fixed Asset Register**

(18.1-18.2 of the Guidelines)

18.1 Fixed Asset Register is maintained in accordance with the requirements of Companies Act, 2017 and TR-6 issued by the ICAI containing the following particulars;

- detailed description of each item;
- original cost of the item;
- date of its acquisition;
- classification of the item;
- the location and/or the custodian of the item;
- the rate of depreciation;
- accumulated depreciation;
- depreciation charge for the period;
- the department/ cost center/ product to which the depreciation is charged date of revaluation (if any);
- revalued amount (if any) of the items;
- depreciation on revalued amount;
- accumulated depreciation on the revalued amount.

18.2 Finance Manager ensures timely updation of Fixed Asset Register due to additions, deletions or related depreciation.

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## **D. TRADE DEBTS**

The BOD has developed and approved the following policy and procedures regarding the trade receivables and exposure limits of the client(s).

### **19 Exposure Limits**

(19.1-19.4 of the Guidelines)

19.1 Exposure Limit to each customer is allocated up to the maximum balance available of the respected client except as approved by the CEO keeping in view the prescribed rules and regulations of exchange and NCCPL.

19.2 The Compliance Officer monitors the trade debts on regular basis and contravention/violation, if any, is immediately reported to CEO for necessary actions.

### **20. IT Controls**

20.1 Approved exposure limits of customers are incorporated and continuously updated as per the defined criteria in the master data list of customers.

20.2 Mechanism of automatic synchronization of Trading terminal(s) has been with the general ledger(s) has been devised so that the employees placing the customer orders can view the exposure limit to comply the policies and procedures.

20.3 Automated controls are developed in the computers to generate pop-up notification when the exposure limit is fulfilled/breached.

20.4 To facilitate the reporting to the BOD and regulators relevant coding has been developed in the back office along with relevant controls to generate accurate and timely ageing (based upon FIFO method) of the customer balances.

### **21. AGEING PROVISIONING, RECOVERIES AND WRITE OFFS**

SOP'S



21.1 The BOD has approved following policies and procedures relating to trade receivables and relating recoveries, provisioning and write offs.

- The trading terminals and back office systems are synchronized so that each trading activity is accurately recorded in the ledgers. Separate customer code are allotted in this respect.
- Daily activity reports are communicated to customers so that the balances appearing in the record of brokerage house and with the customers are updated and reconciled.
- The BOD closely monitors the customer balances and ledgers for decision making purposes. For this purpose, Aging report of all the customers showing the Balances overdue more than five days, Marketed value of the custody and their VAR values are presented to BOD at the start of each month for the purpose of provisioning and write-offsof trade receivables.
- Accounts department send reminders on regular intervals through telephone calls & emails to customer(s) whose balances are outstanding since long for the purpose of recoveries. BOD decides to write off the customer balances after considering the cost and benefit of legal action against the customer.
- After the decision of write off, the Compliance Officer ensures that the account closing checks have been properly performed.
- The Finance Manager ensures that disclosure requirement in the financial statements for provision of balances due for more than five days after taking into consideration of value of custody after applying haircut are complied.

## **22. BANK ACCOUNT OPENING CLOSING**

The BOD ensures that the necessary bank accounts have been opened to facilitate the customers and to meet the regulatory requirements. For this purpose, following policies and procedures have been developed and approved.

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### **22.1 Opening and closing of bank accounts**

- The BOD passes resolution for opening and closing of a bank account(s) containing the following particulars:
  - Bank Name
  - Branch
  - Account Nature
  - Currency
  - Reason of opening or closing of bank account
  - Authorized Signatory to operate the account

Finance manager fulfills necessary requirements to open or close bank account and allocates new GL code in the chart of account immediately.

- Accounts department ensures the fulfilment of following requirements for closing of the bank account:
  - a) No cheque(s) are in clearance process/issued to the customers
  - b) Balance available, if any, has been transferred in the active account.

### **23. Bank Reconciliation**

- Accounts department personnel prepare the monthly bank reconciliation of all bank accounts which is reviewed and approved by the Finance Manager.
- All unusual items in bank reconciliation(s) are investigated by the Finance Manager and he ensures that Bank reconciliation(s) do not contain the cheques outstanding for more than six months.

### **24. PAYMENTS/RECEIPT OF FUNDS**

The BOD has devised following policies and procedures in respect of payments and receipts of funds:

- All payments are made to clients, staff members, vendors, exchanges (PSX, CDC, NCCPL), FBR and PRA through crossed cheques except payments in cash as allowed by the applicable taxation laws.
- Only crossed cheques are received from the customers and deposited in the clients' bank

SOP'S

account immediately. Any exception of cash receipt is reported to the stock exchange.

- Receipt and payment vouchers are prepared by the accounts department against each receipt

and payment and approval is made by the Finance Manager.

- Designated personnel of accounts department update the respective ledgers with the approval of Finance Manager.

## **25. Petty Cash**

The BOD has approved following policy and procedures with regard of petty cash receipts and payments and related balances.

- All types of routine office maintenance expenses below the limit of Rs.10,000 can be paid through cash keeping in view the requirements of applicable taxation laws.
- The Manager Finance is authorized to maintain the petty cash up to the limit of Rs. 30,000 which may be changed from time to time based upon the petty cash requirements of the Brokerage House.
- Personnel of accounts department prepares the petty cash sheet(s) along with supporting documents and gets its approval from Manager Finance before entry in GL.
- The Finance Manager approves all type of vouchers including capital expenditures, payment of fee, taxes dues to NCCPL, PSX, LSE, CDC etc.
- Physical count of the petty cash is performed in presence of the Compliance Officer on monthly basis by the Cashier.

## **26. Profit computation on savings/ PLS accounts**

26.1 The BOD has approved following policies and procedures in respect of the Saving/PLS accounts:

- The Finance Manager computes profit on saving or PLS accounts at effective yield on time proportion basis at the end of each month. The accrual of the same is made in respective ledger accordingly.
- Once profit is credited in the saving/PLS account(s), receipt against profit is compared with the above said calculations and any discrepancy is reported to the relevant bank. Upon resolution of

SOP'S

discrepancy, if any, the receipt voucher is prepared and entered in the respective ledger by the personnel of the Accounts Department.

- Proper approval from clients is seeks from the client(s) through account opening form for non-distribution of profit earned in respect of clients' bank account(s).

## **F. EXPENSES**

The BOD has approved the following policies and procedures in respect of expenses of Brokerage

House:

- Normal repair and maintenance expenses are charged to sub-ledgers of profit and loss account as and when incurred, while major renewals and replacements are capitalized. It is also considered that basic parameters (As per IAS-16) have been fulfilled to capitalize any expenditure.
- Requisition Form is being issued for the capital expenditure by the relevant person containing the reason, description and amount. Verbal request is acceptable to the extent of expenses amounting Rs.100,000.
- Original purchase order (PO), if generated, is forwarded to the vendor and a copy of the same is kept by the accounts department. Upon successful delivery and quality check, payment is made to the vendor based upon the verifiable invoice.
- All expense(s) transactions and other cash disbursement are immediately recorded in respective ledger.

## **G. INFORMATION TECHNOLOGY GENERAL CONTROLS (ITGCS)**

### **27. Access Security**

The BOD has approved the following access security mechanism to ensure the security assets and related network(s).

- Access to IT resources and services is given through unique user account(s) and complex SOP'S

password(s) to the authorized persons only. To ensure high protection, only Alphanumeric password(s) are issued to each user.

- User-access privileges are defined based upon the user's roles and responsibilities in the Brokerage House. These privileges are periodically reviewed by the I.T. personnel to ensure restriction on non-authorized access to system.
- Access to system of terminated or transferred employees is immediately removed/ modified based upon future role in the Brokerage House.
- Access control applies to all networks, servers, workstations, laptops, mobile devices and services of the company.
- No un-controlled external access is permitted to any network device or networked system.
- The IT personnel determines the appropriate levels of security measures applied to all information systems.
- All the users having access to official data are not allowed to share with someone else.

Immediate strict action is taken upon breach of data sharing policy.

- Logs are continuously monitored by Internal Auditor to detect any unauthorized or inappropriate activity.
- Changes are appropriately approved and tested by the I.T. personnel before being moved into the production environment.
- Any change in control environment is timely communicated across the Brokerage House.

## **28. Program Change**

The BOD in consultation with the I.T personnel has approved the following mechanism for Program Change.

- Only the authorized and registered software, Antivirus, firewalls, utility packages and programs Is installed.
- Acceptance testing is performed by the I.T personnel of programs and systems in a protected environment separate from production before the developed, or modified programs or system are

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implemented into the production environment.

- Every new system is parallelly run along with the existing system for performance testing. Black box testing technique is used to approve the quality assurance of new system.
- End Users are informed and trained before new system is put in working environment.
- Log of new systems are continuously reviewed by the designated I.T personnel on daily basis for at least one week to ensure there is no malfunctioning in the new system.

## **29. Physical Security**

- The agency providing the security of the office is responsible for the physical security of the personal computer, laptops, printers, scanners and all other tangible fixed assets of the company.
- The surveillance cameras are installed inside and outside the office room(s) and doors are properly locked to ensure the physical security of assets.
- No Staff member is allowed to physically open the computer casings and other hardware equipment except as special permission provided to the I.T personnel.
- Other possible measures are taken from time to time to ensure the physically security of all assets in data centers/computer rooms from intentional and intentional damage.
- All users except the IT personnel, are restricted to use the flash USB drives.

## **30. Backups**

- Real time backup system is installed for back up of financial and other trade related data.
- Backup processes is regularly monitored for successful execution, and failures are escalated and corrected to ensure that data is useable and available for retrieval and restoration whenever needed.
- Restoration testing of backups is performed periodically to determine the usability and integrity of the files.
- The entity has formal agreement(s) to obtain technical or application support from software vendors. BOD continuously monitors the compliance with these agreements.

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## **31. APPLICATION ACQUISITION DEVELOPMENT**

31.1 The BOD of the brokerage house is authorized to devise and approve the policies and procedures in respect of acquisition, development, modification and maintenance of application systems database, networks/ domain controller, communication software and hardware Existing hardware and application systems are adequate and provide full support to the business operations.

31.2 The BOD also considers all aspects of IT requirements as described by NCCPL, CDC, PSX and other regulations applicable to the brokerage house.

31.3 The CEO of the brokerage house is responsible to oversee software/ hardware requirements of the brokerage house from time to time and presents the requirements, modifications and additions for approval form the BOD.

31.4 It is obligatory for the CEO to determine the IT requirements of the brokerage house and recommend modification/ additions and obtain the approval from the board thereof.

31.5 The CEO of the brokerage house ensures that new acquisitions, developments, modifications of IT resources are synchronized with the overall business strategy and existing IT resources. To ensure this IT personnel reviews IT resources to identify the incompatibilities and their removal.

## **32. IT GOVERNANCE**

32.1 The BOD is responsible to develop and approve long term and short term plan for IT related matters.

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32.2 The IT requirement matters have also been discussed in detail in para 31 of these procedures.

32.3 These policies are reviewed periodically keeping in view level of business operations of the brokerage house, the Chief Executive has been delegated powers to review IT related issues.

32.4 The CEO identify and evaluate the all related matters in respect of sufficiency and appropriateness of IT hardware and software systems.

32.5 All changes and modifications in hardware and software are duly made from time to time with the approval of the BOD.

32.6 IT personnel is responsible to conduct the in house awareness sessions to keep abreast the staff members with the changes in IT systems and IT security measures as envisaged by the BOD.

32.7 IT risk management framework has been established which ensures the continuity of the business operation due to the non-availability of the current IT facilities/systems/networks such as:

- Alternate terminal has been obtained from PSX.
- Availability of alternate IT facilities.
- Availability of alternate workstations, internet.
- Online direct access to customers for trading.

32.8 There is also a comprehensive disaster recovery plan/ business continuity plan in vogue as discussed in para 35 of these procedures.

### **33. OPERATING SYSTEM / DATA BASE**

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33.1 The BOD is authorized to develop and approve the policies and procedures regarding systems / data base. In this respect policies and procedures of the brokerage house are as under:

- The CEO is authorized to assign/ give the role, access and report generation authority.
- Continues review is undertaken by the IT personnel of user(s) access.
- Periodical review is undertaken to monitor the unauthorized access.
- The IT personnel has been assigned responsibility to ensure that only authorized personnel of the brokerage house have the access to the systems.
- Password meets basis facets i.e. alphanumeric and with the length not less than six alphabets and numeric.
- The IT personnel ensures periodical that log is being maintained of generated / deleted voucher(s).
- The IT personnel ensure time to time proper antivirus system is functional.

#### **34. NET WORKING**

34.1 The board of directors has devised policies and procedures regarding access to IT systems. These include:

Head of I.T. is responsible for the overall security and maintenance of the network.

Security of the network is divided and ensured in the following two categories:

- i. Physical Security
- ii. Electronic Security

##### **i Physical Security:**

BOD has approved following measures for physical security of the in-house network;

- Only authorized personnel, i.e. members of I.T. department, are allowed to use and access the network devices.

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- All users are restricted to use flash USB drives/pen drives for official purposes only.

## ii. Electronic Security:

BOD has approved following measures for electronic security of the in-house network;

- Access to the network is only authenticated to authorized persons only.
- To ensure security check, only password restricted access is allowed to each user.  
Alphanumeric password is only issued to each user to enhance security.
- Anti-virus upgradation and maintenance is assured to handle any potential virus attack
- Vulnerability scans of the network is performed at the end of every month by the I.T. Team and potential vulnerabilities, if any, are investigated on timely basis. Further, potential viruses/threats identified and removed by the anti-virus are also investigated on monthly basis to ensure the need of any updation in security system.
- Encryption mechanism is devised to restrict network access to authorized and appropriate users.
- Any change in network methodology is reviewed by the I.T. head and implemented only after the approval of the CEO.

## 35. DISASTER RECOVER PLANNING/ BUSINESS CONTINUITY PLAN

35.1 The board of directors of brokerage house has developed and approved a coordinated policy regarding the recovery of data either in soft form (IT related) or other business processes. The policies designed and approved in this respect are as under:

- Preserve the accounting and allied record for 10 years from end of the year to which it pertains.
- The BOD also undertake periodical review of other Regulations that Affecting preservation of record.

### SOP'S

- Offsite back up of data and computer program on periodical basis.
- Availability of offsite processing in the event of disaster. The BOD has also approved

(10/B, 1<sup>ST</sup> CENTRAL LANE PHASE II, DHA, KARACHI) for IT functions and business processes in the event of any disaster.

- A designated personnel tests data recovery mechanism from time to time to ensure the offsite IT related peripherals are functional.
- The brokerage house maintain different customized database applications and Equipment's that support Accounts, Equity Settlement, Financial Services and Screening software for Compliance.
- An event of disaster may occur with or without notification. Business operation will be shifted to director's residence.
- In the event of disaster, actions are initiated to recovering the applications on the alternate system, while other actions efforts are directed towards the repair of the original system and capabilities.
- To facilitate the business continuity backup data servers along with alternate trading terminals are connected with the wireless internet. Alternate resources are used until the restoration of the original system and facilities.
- Disaster recovery plan is tested semiannually and updated if any deficiency is found during the test phase.

## **36. STRUCTURE**

36.1 The board of directors of the brokerage house has duly authorized CEO to appoint the Compliance Officer. However, the board advises the CEO to appoint personnel for this designation who meets the fit and proper criteria as specified in the Regulations.

36.2 The BOD has assigned duties to the Compliance Officer that include:

### **SOP'S**

- Periodically review of compliances as prescribed in the Scope, review of various regulations and enactments and ensure that these changes are incorporated and

modifications are duly introduced in the internal control systems accordingly.

36.3 It is obligatory for the Compliance Officer to report all exceptions/ gaps/ deviation noticed during his review to the BOD for its necessary action.

### **37. QUALIFICATION OF STAFF**

37.1 The board of directors of brokerage house formulates the policies and procedures from time to time in respect of appointment of personnel for various posts. The policies and procedures in this respect are as under:

- Academic qualification that commensurate the job description.
- Must have sufficient experience in relevant discipline
- Any other as prescribed in Rules and Regulations applicable to the brokerage house.

### **38. COMPLIANCE PLAN/ SCOPE AND MONITORING MECHANISM**

38.1 The board of directors of brokerage house has delegated duties to the compliance officer to undertake the review of various compliances periodically.

38.2 The board has approved to undertake such review on quarterly basis.

38.3 Keeping in view the scale of business operations of the brokerage house, the Compliance Officer is responsible to undertake thorough review of all compliance of Rules and Regulations applicable to the brokerage house.

38.4 Check list(s) developed in this respect may be filled up in order to control the review effectively and matter(s) arising regarding the review of compliances are reported through the CEO to the BOD.

SOP'S

38.5 The compliance officer may recommend the changes in the scope of work in the light of

amendments introduced in various laws, rules and regulations during the last year.

38.6 The compliance officer compiles a report and same is presented to the board for its necessary action.

#### 39. FOLLOW UP MECHANISM PENDING COMPLIANCE

39.1 The brokerage house remain vigilant in respect of compliance(s) of various rules and regulations.

39.2 The compliance officer ensures that all compliances of rules and regulations applicable to the brokerage house are duly been made on regular basis.

39.3 If there is any pending non-compliance, the same is reported to internal auditor/ Board of Directors. The Board of directors take immediate action in this regard.

#### 40. INTERNAL CODE OF PRACTICES

40.1 The BOD has developed and approved Internal Code of Practice for its directors, employees and agents. The salient features of Code of Practice is as under:

- To maintain confidentiality of information of clients. In this respect written confirmations are obtained from each member of board and staff.
- To do best for the benefits of the clients of the house.
- All facts about the market be disclosed to clients.
- Dissemination of information to clients on timely basis.
- Dissemination of rules and regulation to clients and staff members

#### SOP'S

- Disclosure of all risks attached to the securities market.

40.2 The board of directors always remain vigilant and update the code in order to ensure the compliance with Securities Act, 2015, Securities Brokers (Licensing and Operations) Regulations, 2016 and any other applicable rules and regulations.

#### **41. RISK ASSESSMENT PROCESS**

41.1 The Manager Finance of the brokerage house under the supervision of the Board of Directors identifies business risks to financial reporting and their impact.

41.2 Strong controls have been developed to identify and cater the any significant change in financial reporting framework. The Manager Finance continually reviews ensures the changes through SROs, Circulars and other materials issued by PXS, SECP and regulatory bodies. In this regard various checklist(s) are devised to ensure that all material information have duly been disclosed and presented.

#### **42. DEVELOPMENT AND IMPLEMENTATION OF POLICIES AND PROCEDURES**

42.1 The Board of Directors of the brokerage house accords the approval of implementation of policies and procedures in the brokerage house.

42.2 The board updates policies and procedures periodically where needed.

42.3 Policies and procedures developed disseminated throughout the organization.

42.4 Internal auditor reviews periodically functions of policies and procedures implemented.

SOP'S

42.5 The board always endeavors to adhere with any change in response to any new enactments/ modification in Rules and Regulations.

#### **43. INTERNAL AUDIT OF BROKERAGE HOUSES.**

43.1 Keeping in view the level of business operation of the brokerage house, a personnel having relevant academic education, experience and exposure is eligible for appointment of internal auditor of the brokerage house.

43.2 The brokerage house has duly appointed the internal auditor and assigned responsibilities as described in these procedures and other regulations applicable to the brokerage house.

43.3 The main object of appointment of internal auditor is to look after the affairs of the company which inter alia include review of functions of internal control system developed by the brokerage house, oversees the transaction processes and periodical review of various compliances of Rules and Regulations.

43.4 Despite the above, the BOD oversees the significant reporting issues, policies and procedures and reports to be issued by the house in compliance with the various laws and regulations.

43.5 All significant deviation from the internal control developed by the brokerage house or other matters are reported to the Board of Directors for its necessary action.

#### **44. COMPLIANCE OF CORPORATE GOVERNANCE FOR SECURITY BROKERAGE HOUSES**

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The Brokerage house remains complied with corporate governance code enshrined specially for

the brokerage houses. The compliance officer periodically reviews the policy and procedure developed in this respect.

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**RISK PROFILING OF CUSTOMER**

The following sets out examples of factors that RPs should consider when performing risk assessment. Where there is one or more "yes" responses, professional judgement must be exercised, with reference to the policies and procedures of the RPs, as to the nature and extent of customer due diligence to be carried out.

**For Internal Use**

<b>Section A: If the response to any of the statements in Section A is "Yes", the entity shall NOT establish business relationship with the client</b>		<b>Yes/N o</b>	<b>Remarks</b>
1	Customer unable to provide all the required information in relevant forms		
2	Information required to be verified as per the regulations, cannot be verified to independent and reliable documents		
3	Customer, Beneficial Owner of the customer, person acting on behalf of the customer, or connected party of the customer matches the details in the following lists: a. Proscribed under the united nations security council resolutions and adopted by the government of Pakistan; b. Proscribed under the Anti-Terrorism Act, 1997		
4	There is suspicion of money laundering and/or terrorist financing		
<b>Section B: Customer Risk Factor</b>			
1	Is the customer, any of the beneficial owner of the client or person acting on behalf of the customer a politically exposed person (PEP), family member of a PEP or close associate of a PEP?		
2	Is the customer non-resident Pakistani?		
3	Is the customer foreign national?		
4	Is the customer High net worth individual?		
5	Legal persons: <ul style="list-style-type: none"> <li>• Companies – Local</li> <li>• Companies – Foreign</li> <li>• Foreign Trust or Legal arrangements</li> <li>• Local Trust or Legal arrangements</li> <li>• Partnerships</li> <li>• NGOs and Charities</li> <li>• Cooperative societies</li> </ul>		
6	Intermediaries eg. Third parties acting on behalf of customers (Lawyers, Accountants etc.).		
7	Performed further screening of details of customer, beneficial owner of the customer, person acting on behalf of the customer, or		

	connected party of the customer against other information sources, for example, google, the sanctions lists published and/or other third party screening database.  Are there adverse news or information arising?		
8	Customer's source of wealth/ income is high risk/ cash intensive		
9	Does the customer have nominee shareholder(s) in the ownership chain where there is no legitimate rationale?		
10	Is the customer a shell company?		
11	Does the customer have unusual or complex shareholding structure (e.g. involving layers of ownership structure, different jurisdictions)?		
12	Does the stated source of wealth / source of funds and the amount of money involved correspond with what you know of your customer?		
<b>Section C: Country / Geographic Risk Factors</b>			
1	<p>Is the customer, beneficial owner of the customer or person acting on behalf of the customer from or based in a country or jurisdiction:</p> <ul style="list-style-type: none"> <li>a. Identified as High-risk jurisdiction by the FATF and for which financial institutions should give special attention to business relationships and transactions. (Countries having weak governance, law enforcement, and regulatory regimes).</li> <li>b. Countries subject to sanctions, embargos or similar measures issued by international authorities (E.G. UN, WB, IMF)</li> <li>c. Countries where protection for customers privacy prevents effective implementation of AML/CFT requirements and/or facilitates the framework for establishment of shell-companies.</li> <li>d. Countries/ Geographies identified by recognized sources as having significant levels of organized crime, corruption or criminal activity.</li> <li>e. Countries/ Geographies identified by recognized sources as providing funding or support for terrorist activities or have terrorist organizations operating within them.</li> </ul>		
<b>Section D: Services / Transactions Risk Factors</b>			
1	Is the business relationship with the customer established through non face-to-face channel?		

2	Has the customer given any instruction to perform a transaction (which may include cash) anonymously?		
3	Has the customer transferred any funds without the provision of underlying services or transactions?		
4	Are there unusual patterns of transactions that have no apparent economic purpose or cash payments that are large in amount, in which disbursement would have been normally made by other modes of payment (such as cheque, bank drafts etc.)?		
5	Are there unaccounted payments received from unknown or un-associated third parties for services and/or transactions provided by the customer?		
6	Does the value of the transaction appear to fall within the financial means of your customer, given their income and savings?		
7	Is there any divergence in the type, volume or frequency of services and/or transactions expected in the course of the business relationship with the customer?		
8	Significant and unexplained geographic distance between residence or business location of the customer and the location where the product sale took place (or the location of the insurer's representative)		
9	Customers seek or accept very unfavorable account/policy/contract provisions or riders and rely on free look up provisions		
10	Customers transfer the benefit of a product to an apparently unrelated third party		
11	Customer uses brokerage accounts as long term depository accounts for funds		
12	Customer is conducting transactions that do not have apparent economic rationale		
13	Transactions appear to be undertaken in a structured, sequential manner in order to avoid transaction monitoring/ reporting Thresholds		
14	Transactions involve penny/microcap stocks		
15	Transfers are made to the same person from different individuals or to different persons from the same individual with no reasonable explanation		
16	Customer requests a securities provider to execute and/or clear a buy order and sell order for the same security or similar or correlated securities (and/or on behalf of the same beneficial		

	owner), in close chronology		
17	Unusually large aggregate wire transfers or high volume or frequency of transactions are made with no logical or apparent reason		
18	Customer trades frequently, selling at a loss		
19	Customer invests in securities suddenly in large volumes, deviating from previous transactional activity		
20	Cross border correspondent financial institutions relationships		
21	Products/ Services		
22	Transaction Amount		

**Section E: Customer Risk Assessment**

Low – Simplified CDD
  Medium – Standard CDD
  High – Enhanced CDD

Document reasons for customer risk rating:

**Section F: Recommendation**

Accept customer
  Reject customer

Assessed By:  
 Designation:  
 Signature:  
 Date:

Approved By:  
 Designation:  
 Signature:  
 Date: