



# GUIDELINE MANUAL & POLICIES

IQBAL USMAN KODVAVI SECURITIES (PVT.) LTD.  
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## BOARD RESOLUTION

### MINUTES OF THE MEETING

Board of directors meeting was held on Jan 4, 2018 at the following address 521-522, 5<sup>th</sup> Floor Stock Exchange Building, Karachi. The meeting was attended by the following:

Mr. Muhammad Iqbal Kodvavi

Chief Executive

Mr. Muhammad Yameen


Director

Agenda was as follows:

1. The minutes of the last meeting were read and approved
2. To adopt and approve "Guidelines Manual & Policies" for Iqbal Usman Kodvavi Securities (Pvt.) Ltd.
3. To adopt and approve "Anti-Money Laundering Policies & Procedures" for Iqbal Usman Kodvavi Securities (Pvt.) Ltd.

No further business was conducted, and the meeting concluded with a vote of thanks of chair.

X   
Mr. Muhammad Iqbal Kodvavi  
Chief Executive

X   
Mr. Muhammad Yameen  
Director

## Guidelines and Policy Statement

*Iqbal Usman Kodvavi Securities (Pvt.) Ltd. ("IUKS") established to provide capital market brokerage business. Iqbal Usman Kodvavi Securities would be governed by the rules and regulations set by the Securities and Exchange Commission of Pakistan ("SECP"), Pakistan Stock Exchange ("PSX"), National Clearing Company of Pakistan ("NCCPL") and Central Depository Company of Pakistan ("CDC")*

*The policies and guidelines contained in this manual will provide the basis for managing the business of the entity as well as for development of further detailed procedures for day-to-day operations, as well as a framework to manage all risks.*

*These policies are in compliance with the guidelines issued by prevailing rules and regulations of the SECP, PSX, NCCPL and CDC and have also adopted the industry best practices. This version of the policy primarily focuses on the equity brokerage business from retail clients given the company's priority to initiate business with equity brokerage.*

## Objectives

All the transactions undertaken by IUKS. must comply with the policies and guidelines highlighted in this policy manual. It is incumbent on all the head of departments to ensure compliance with the laid down principles.

**The key objectives of this policy are:**

- To ensure the protection of the interests of all the stakeholders including but not limited to the clients, shareholders and employees;
- To form the basis for seamless operations of the company;
- To develop the framework to manage all risks including but not limited to operational, legal, market and credit risks arising out of transaction with individual clients;
- To ensure compliance with the requirements of the regulatory authorities;
- To protect the integrity and reputation of the company, directors, shareholders, associated companies, and employees;
- Any other objective that the management deems appropriate.

## Nature of Equity Business Transactions

The company would undertake the following types of transactions on behalf of retail client unless the Pakistan Stock Exchange introduces new types of transactions:

### Ready Board Transactions

All the stocks listed at the Pakistan Stock Exchange are traded at the Ready Board Counters.

The settlement of these trades can be undertaken through T+2 under normal circumstances that are settled through T+1 and T+0 for spot transactions.

### Future and Provisional Transactions

The Pakistan Stock Exchange has developed an organized market for certain scrips for the trading of future contracts of sale-purchase of stocks listed on the ready board. The trading is undertaken in the same manner as ready board transactions through KATS, however these are settled at the value date of the future contract.

The companies that apply to the Pakistan Stock Exchange for listing after the approval of the prospectus and 7-14 days prior to the subscription date comes on the provisional counter for trading. The transactions are settled once the company is listed on ready board counter.

## Segregation of Operations

Operations will be segregated between the front office and back office.

### Front Office

Front office (sales department) shall be responsible:

1. For developing client base and generating business;
2. For development of business generation plan and preparation of reports for the perusal and information requirement of the management;
3. To ensure that no business is carried out with any suspended, expelled or defaulted members of the Stock Exchange;
4. To ensure that the client has a valid account with the company before entertaining any trade request;
  - For taking orders from clients on dedicated recorded phonelines, email or otherwise.
5. To ensure that every deal is executed within the parameters approved by the management including but not limited to client trade limits, margin requirements etc.;
6. For verbal or written confirmation of orders placed by the client on recorded lines, emails or otherwise;
7. To liquidate the position of the client on instruction of the compliance officer and upon approval of the CEO if margin is not replenished by the client within one business day of margin call;
8. For taking all the necessary steps that includes market information and verification of margin to ensure adherence of commitment by the client;
9. For maintaining the knowledge base to be able to not only advice the client but also advice the management on risk attached to the open or possible exposure.

### Back Office

The back office comprises of the Operation & Risk Department and Finance Department. The Operations & Risk Department will be responsible

- To ensure compliance with account opening policies of the company;
- For placing the orders executed in the system for formal confirmation of the clients;



- To check the details on deal ticket with the confirmation for the purchase and sale of shares;
- For charging brokerage commission to clients in accordance with brokerage rates approved by Compliance Officer;
- Generation of confirmations and their communication to the clients;
- The settlement of trades with the clearing house of PSX;
- The settlement of trades with the clients in accordance with client settlement;
- For monitoring clients' margin position, investigation of exception and intimation to the Compliance Officer in case of excess over the limit;
- For CDC account handling in accordance with CDC rules and regulations;
- For follow-up of receivables and will be accountable for recovery;

## Type of Clients

The retail clients of the company shall mainly comprise of high net worth individuals, top management of multinational companies, as well local group of companies, the criteria of which would be set by the Compliance Officer. The company may need to avoid dealing with individuals who, are employees of other brokerage houses or individuals who can try to influence the company due to their positions like government higher ups, judges, army generals, politicians etc.

## Client Relationship

There shall be 'no discrimination policy' among the customers and all the clients' orders shall be dealt in due turn.

The employees / agents' responsible for entertaining orders from the clients shall be kept reasonably separated from the other departments staffs.

The client can be communicated through emails, letters and / or telephone. The logs of email and letters shall be maintained.

## Credit Risk Assessment

In view of the guidelines of the regulators to prevent money laundering and bad credit, it is incumbent on the credit document initiators and evaluators to make all the reasonable efforts to know the client and be prudent in disposing their fiduciary responsibilities. The policy advises that the following steps may be undertaken before accepting any account:

1. The following information will be obtained from the client in case of margin trading:
  - Personal Information about the client including the address, contact no, and employment details;
  - Financial information about the client including major source of income, bank details, tax status etc., where possible;
  - References;
  - CDC Account handling details;
  - Nature of account (i.e. single or Joint); and
  - Relationship with joint account holder (if any)
2. The CEO would have the authority to recommend for consideration of competent authority any case rejected considering the case as “Business Decision”.
3. CEO will have the authority to approve / reject the case.

## Margin Requirement

1. The margin requirement guidelines are as follows:
2. Individual client will open an account with IUKS. However, the client’s margin will be decided by the CEO or the Compliance Officer on an individual basis
3. The margin requirement in case of client availing margin financing facilities shall be fixed in accordance with Margin Trading Rules, 2004.
4. Margin deposited can be in the form of cash, no greater than Rs. 25,000, and / or “Acceptable Securities”.
5. Only CDC eligible shares and securities approved by CEO or Compliance Officer will be accepted as valid securities.

## Trading Limit

1. Trading limit would be determined to rationalize the risk exposure inherent in transaction being executed between IUKS and its clients. The policy for setting up of trading limit is as hereunder:
2. The trading limits would be set based on a case by case basis, on the discretion and decision of the CEO and/or Compliance Officer
3. It would be the discretion of the management of the IUKS to either refuse or give a lesser limit than sought.
4. The management may decide on its discretion to suspend the trading limit of any account without giving any reasons. The margin will be returned after deduction of any receivables in case of suspension of the limit.

## Sub-Account Management

### Sub-Account Opening

The policies and guidelines for account opening are given as under:

1. All new clients of the company shall be required to sign the Sub-Account Opening Form ("SAOF") and standard terms and conditions.
2. SAOF shall be based upon the standard format of SAOF prescribed in General Rules and Regulations of CDC.
3. The Head of Operations will also be required to fill out and complete a Know Your Customer ("KYC")/Customer Due Diligence ("CDD") form, based upon the standard format prescribed in General Rules and Regulations of CDC. [Please see KYC/CDD Policy Below for more details](#)
4. The Head of Operations or his authorized representative(s) would only open the accounts. In usual course of business, the Head of Settlement will act as the representative of the Head of Operations for this purpose.
5. The Head of Operations or his authorized representative(s) will ensure that no accounts of banned entities, employees of other brokerage houses, suspended, expelled or defaulted members of the Stock Exchange are opened;
6. The following documents must be submitted by the client before the account opening unless an exception has been approved by the Internal Audit Officer:
  - i. **INDIVIDUALS**
    1. Attested copy of N.I.C of the resident applicant (single or joint);
    2. Attested copy of N.I.C of nominees (resident) (if applicable);
    3. Attested copy of passports of the non-resident applicant (single or joint);
    4. Attested copy of passports of the nonresident nominees (if applicable);
    5. Letter from the account holder(s) authorizing another person to trade on his behalf (if required by the client) (found within the account opening form);
    6. Signed and accepted schedule of charges and fees.
    7. Income verification, Visiting card or letter
  - ii. **CORPORATIONS, PARTNERSHIPS, TRUSTS AND OTHER LEGAL ENTITIES**

IUKS shall take reasonable steps to ascertain satisfactory evidence of an entity Client's name and address, its authority to make the contemplated investment. IUKS will obtain certain of the following, as appropriate under the circumstances:

1. Copy of resolution granting the Directors/Principals authority to act;
2. Articles of Memorandum and Articles of Association;
3. Certificate of Incorporation;
4. List of Directors/Principals;
5. Authorized signatory list;
6. Description of the Client's primary lines of business
7. Audited Accounts of the company (where applicable)

#### Sub-Account Details Modification:

Any modifications made to the SA will only be done after an official request has been submitted by the client, either via email or otherwise and submitting documentary proof of the modified detail to IUKS.

#### Sub-Account Closure:

To close a SA the SA holder must give a request for closure accompanied with a photocopy of NIC. Upon reception of such request, the account shall be checked for any outstanding balance. If the account has a debit balance, the client shall be asked to clear it. In case of a credit balance, the same shall be paid to the client. Similarly, a check is carried out in to ascertain:

- The securities lying with us as margin or otherwise;
- Whether the client has any position outstanding with National Clearing Company of Pakistan Limited by obtaining 'No Objection Certificate';
- Whether any notice issued to the client is pending reply and any liability arises to the company or client because of client's action / inaction for which the notice has been issued.

Once the client is cleared for closure, the client's account shall be closed, and an intimation shall be sent through formal letter or otherwise.

## Guidelines on Document Archival

The record of following documents must be maintained:

- CDC SAOF
- KYC/CDD Form
- Back Office Account Opening Form
- Any modification requests/instructions provided by the client
- Record of instrument receipts and payments through cheque(s)

## Fees and Commission

1. The brokerage commission may differ for trading, delivery (both sale and purchase), ready and future.
2. The Head of Settlement or Compliance Officer would be responsible for entering and maintaining the approved commission structure for a client in the system.

## Know Your Customer (“KYC”) & Customer Due Diligence (“CDD”)

### Type of Customers, Information & Documents Required

IUKS shall obtain the minimum information/ set of documents from various types of Customers, detail of which are as follows;

S. #	Type of Customers	Information Required	Documents Required
1	Individuals /  Sole proprietor  Ship	<input type="checkbox"/> Name and Father's Name  <input type="checkbox"/> Address  <input type="checkbox"/> Telephone Number(s)/Mobil No /Email  <input type="checkbox"/> Sources of Income  <input type="checkbox"/> Nationality & NTN  <input type="checkbox"/> Guardian name (if Applicable)	<input type="checkbox"/> Copy of CNIC or passport or attested copy of B form in case of Minor  <input type="checkbox"/> Detail of Business / Employment Proof  <input type="checkbox"/> Zakat Exemption Certificate (If Applicable)  <input type="checkbox"/> Guardian Certificate (If Applicable)
2	Partnership  based entity	<input type="checkbox"/> Name of Partnership Entity  <input type="checkbox"/> Names of Partners  <input type="checkbox"/> Father's Name of Partners  <input type="checkbox"/> Address of Partnership entity  <input type="checkbox"/> Telephone Number(s)	<input type="checkbox"/> Copy of CNIC/ passport of all Partners  <input type="checkbox"/> Copy of CNIC of authorized signatories  <input type="checkbox"/> List of Authorized signatories along with power of attorney  <input type="checkbox"/> Resolution authorizing investments  <input type="checkbox"/> Copy of latest financials of partnership
3	Companies  (Institutional and  Corporate)	<input type="checkbox"/> Name of Company and its Directors  <input type="checkbox"/> Registered Address  <input type="checkbox"/> Telephone number (s)  <input type="checkbox"/> Contact persons  <input type="checkbox"/> Registered number & NTN	<input type="checkbox"/> Copy of CNIC/ passport of all Directors  <input type="checkbox"/> Audited Accounts of the company  <input type="checkbox"/> Memorandum and Article of Association  <input type="checkbox"/> Board Resolution authorizing investments  <input type="checkbox"/> Certificate of Incorporation/ Commencement of Business



			<input type="checkbox"/> List of Authorized Signatories along with copy of CNICs and power attorney
4	Clubs, Societies and Associations	<input type="checkbox"/> Name of Club, Society or Association  <input type="checkbox"/> Registered address of Club, Society or Association  <input type="checkbox"/> Telephone numbers(s)  <input type="checkbox"/> Contact Persons	<input type="checkbox"/> Board / Governing Body Resolution for investment  <input type="checkbox"/> Certified copy of bylaws/ rules and regulations  <input type="checkbox"/> Copy of CNIC of Board's members  <input type="checkbox"/> Certified copy of certificate of Registration  <input type="checkbox"/> List of Authorized Signatories along with copy of CNICs and power attorney  <input type="checkbox"/> Copy of latest financials
5	Trusts including, but not limited to, Provident Fund, Gratuity Fund, Pension Fund, mutual fund, etc.)	<input type="checkbox"/> Name of trust, Fund etc.  <input type="checkbox"/> Name of Trustee  <input type="checkbox"/> Address of Trust/ Fund etc.  <input type="checkbox"/> Telephone number(s)  <input type="checkbox"/> Contact persons	<input type="checkbox"/> Copy of CNIC of all Trustees  <input type="checkbox"/> Certified copy of Trust Deed  <input type="checkbox"/> Trustee / Governing body Resolution for investment  <input type="checkbox"/> Copy of the latest financials of the Trust  <input type="checkbox"/> List of Authorized Signatories along with copy of CNICs and power attorney
6	Executors and Administrators	<input type="checkbox"/> Name of Entity for Executor/ Admin. is appointed  <input type="checkbox"/> Name of Executor/ Administrator  <input type="checkbox"/> Address of entity & Tele Numbers	<input type="checkbox"/> Copy of CNIC of Executor/Administrator  <input type="checkbox"/> Certified copy of the letter of Administration.
7	Government Entities	<input type="checkbox"/> Name of Government owned organization	<input type="checkbox"/> A Special Resolution/ authority endorsed by the Ministry of Finance or Finance Department from

		<input type="checkbox"/> Address of Government owned organization <input type="checkbox"/> Telephone numbers <input type="checkbox"/> Contact persons	concerned Government (Federal/ Provincial/ Local) clearly listing the persons/ officers authorized to operate such account <input type="checkbox"/> List of Authorized Signatories <input type="checkbox"/> Copy of CNIC of authorized officer(s) <input type="checkbox"/> Resolution authorizing investment
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## Principles of CDD/ KYC

IUKS has structured few principles for the effective implementation of KYC policy. These principles shall be applicable to all the existing and new customers, details of which are as follows;

1. Payment in cash or bearer instruments, over Rs. 25,000, shall be strictly prohibited; Further, receipt of cash above, Rs. 25,000 on any day, should be reported to Exchange as per relevant rules and regulations.
2. Third party cheques shall not be accepted
3. Government account shall not be opened in the personal names of the Government Official(s);
4. Dealing with any Political Exposed Person or customers holding public or high-Profile position, relationship with them should be discouraged and only in case of long and comfortable relationship be established and/ or maintained with the approval of Senior Management of IUKS including if any existing customer Becomes holder of any public office or high-profile position;
5. IUKS must ensure that accounts of Institutions/ body corporate are not opened in the individual name of any employee/ official. Government accounts should not be opened in the personal names of Government officials. Any such account, which is to be operated by an officer of the Federal/Provincial/Local Government in his/her official capacity, shall be

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.

6. For customers that are legal persons or for legal arrangements, IUKS is required to take reasonable measures to understand (i) the ownership and control structure of the Company (ii) determines that who own or control the company. This includes those Persons who exercise ultimate effective control over a company;
7. If a customer is acting on behalf of another customer, his identity should be ascertained, and relevant documents should also be obtained

## Verification

Verification is an integral part of CDD/ KYC measures for which IUKS is required to ensure the following areas;

1. Before opening an account, IUKS shall verify the signature of the account holder is verified from the bank in Sub Account Opening Form
2. For this purpose, IUKS will not open any account without UIN approval from National Clearing Company of Pakistan (NCCPL).
3. IUKS must obtain sufficient information to determine the expected source of funding for the account, particularly whether the client shall be receiving/ remitting funds in foreign currency.
4. Priority should be given to clients visit at the time of account opening. Faceless / online, should be verified by third party.
5. Proof should be acquired if the mailing address differs from the address given in the CNIC

## Risk Profile (High Risk Customers/ Low Risk Customers)

1. IUKS is required to conduct enhanced customers due diligence if the customers fall within the definition of High Risk Customers, which are defined as under;
  - Non-resident customers;
  - Non-legal persons or arrangements including non-governmental organizations (NGOs) / Not for profit organizations (NPOs) and Trusts/charitable trust;
  - Customer with links to offshore tax havens;

- Customers dealing in high-value items;
- Politically Exposed Persons (PEPs). Those individuals who are or who have been Entrusted with prominent public functions in a country or territory, for example Heads of state or of government, senior politicians, senior government, judicial or Military officials, senior executives of state owned entities, important political party Officials but not middle ranking or more junior individuals in these categories;
- The IUKS must perform a risk assessment of all the existing and prospective customers based on 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. IUKS should develop clear guidelines for identification of High Risk customers
- 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 like those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories
- Customers from or in countries where CDD/ KYC and anti-money laundering Regulations are lax and are not sufficiently applying Financial Action Task Force (FATF) recommendations: and
- Customers who have been refused by another financial institution (based on Reasonable information)
- While dealing with the high-risk customers including the PEPs, the IUKS should:
- Obtain senior management approval for establishing business relationships with such customers. The same shall also apply in case of an existing customer which is classified as High-risk pursuant to these guidelines or which is subsequently classified because of ongoing due diligence;
- Take reasonable measures to establish the source of wealth and source of funds.
- Online/faceless customers, who have been verified by third party.
- If the IUKS is unable to comply with the above requirements, it should not open the account, or should terminate the business relationship, as the case may be

2. For Low Risk Customers, IUKS may apply simplified or reduced CDD/ KYC measures. A client may be considered under Low Risk category, if the identity of the customer(s) and the beneficial owner of a customer are publicly known or where adequate checks and controls exist.
3. Following cases may be considered as Low Risk Customers for application of simplified or reduced CDD/ KYC;
  - Financial institutions provided they are subject to requirements to combat money Laundering and terrorist financing and are supervised for compliance with those Requirements; and
  - Public listed companies that are subject to regulatory disclosure requirements, Government administrations/entities.

## Order Instruction and Confirmation

### Instruction

The usual mode of order taking would be over the telephone or through written instructions.

1. It is the responsibility of the agent to execute the order
2. After executing the order, the dealer is responsible to confirm the following:
  - Script;
  - Quantity;
  - Price;
  - Mode of transaction.
3. The company will make all the provisions for voice recording system and all the conversations in relations to order taking will be voice recorded and archived.
4. Any dealing error committed by sales or dealing should be communicated immediately to the Compliance Officer
5. Compliance Officer has the authority and is responsible to rectify the error (square the position).

### Confirmation

The following guidelines should be adopted during execution:

1. Once the order is executed, agent will confirm the details of the transaction to the client over the recorded lines where applicable.
2. The confirmation of margin trading deals shall include the following details:
  - Name of security
  - Quantity purchase
  - Price of security

### Order Recording

- All order details, received or delivered, to the clients of IUKS will be communicated via dedicated recorded phonedlines, email or otherwise.
- Further all lines of communication shall be regularly tested to ensure appropriate functioning

- The Compliance Officer at regular intervals shall ensure, by scrutinizing the telephonic recordings, fair and appropriate dealings.

## Exposure and Settlement with PSX

The following policy will govern the relationship with the Pakistan Stock Exchange (PSX):

1. Exposure on positions taken by clients will be paid to PSX as per the regulations of PSX.
2. The payment is to be made as per the notices given by PSX during the day and at the end of the day as per the rules and regulation of the PSX.
3. Any loss on the positions would be settled with the PSX irrespective of settlement with the client.
4. The Settlements Department will receive the notices. The Head of Settlement or his authorized representative will verify and approve the claim. The accounts department on a notice approved by the Head of Settlement or its authorized representative will prepare the cheque for payment to PSX.
5. In case of non-NCCPL stocks the clearing house of the exchange will net off sale and purchase to arrive at the amount payable or receivable by the member.
6. The PSX will send a payment order to the member intimating of his position with the exchange.
7. The payment to PSX must be made through pay order or cross (A/C Payee) cheque latest by 11:30 on the settlement day.
8. The PSX will make the payment on delivery. The receipt from PSX shall be checked by the market settlement in-charge against the PSX payment order and the records of the house.
9. The Market Settlement In-charge will be responsible for ensuring that the exchange releases the stocks against the purchases made through the house and in case of physical shares will ensure that the shares are accompanied with transfer deeds.
10. The Market Settlement In-charge will receive the information from the Client Settlement In-charge for tallying with the exposure with the exchange.



## Settlement with the National Clearing Company of Pakistan (NCCPL)

In case of most of the stocks the NCCPL is the clearinghouse. A tripartite agreement is to be executed amongst the member, NCCPL and the settlement bank for start of work. The following guidelines govern the settlement with NCCPL:

1. Arrangements to be made to enable the NCCPL to directly debit and credit the settlement account nominated by the member for this purpose.
2. The member posts all the stocks in a sell trade before 3:30 pm; the credit is given on the settlement day. The credit for the stocks posted later than 3:30 pm is given next day (in case of time extension due to any technical problem at NCCPL). Trade will not be accepted after 3.30pm and will be squared from the system next day in the first session.
3. In case of purchase of shares by the member, NCCPL will debit the settlement account of the member by 10:00 am on the day of settlement and will credit the shares same day.
4. The clearing is executed for all clearinghouses through Central Depository System except for the T+0 in which the settlement is done on a member-to-member basis. In T+0 settlements the shares are posted first, and payment is made by members the next day on the presenting broker bill. Broker bill is the instrument in case of member-to-member settlement.

## Settlement with the Clients

1. The Client Settlement In-charge will carry out the following procedures after the receipt of payment from client:
  - Match the payment received from the client with the amount receivable as per company records;
2. In case of sale of securities on behalf of client the payment to client shall be released after securities are received in the CDC account of the company.
3. In case of sale of securities on behalf of client the payment to client shall be released after securities are received in the CDC account of the company. Failure to give delivery in case of sale, any cost of square-up will be recovered from client.
4. In the instance where the client fails to make the payment on time, the company will be liable to settle the trade with the exchange. However, the company may keep the stocks with itself or liquidate the position up to required level upon approval from CEO.
5. The Client Settlement In-charge will be responsible for tallying the amounts, quantities and stocks involved. Any kind of discrepancy must be highlighted by him to the Head of Settlement.

## Receivable Policy

1. The following guidelines will govern the management of receivables by IUKS
2. The overdue account will be reported to the Internal Audit Officer with details regarding the amount due, reason and the position of the client. The trading will only be resumed in that account after the approval of the Internal Audit Officer.

## Cash flow Management Policy

The following guidelines will govern the cash flow management for IUKS:

1. It will be the responsibility of the Settlements and Accounts Departments to keep sales updated on the cash flow position.
2. Cash flow forecast will be carried out on daily basis to identify funding requirement before the settlement date of trades carried out.
3. The sales team is advised to limit the business in case the capital adequacy limit or credit lines are near exhaustion.

## Contingency Plan:

The offsite backup of key records and other documents shall be maintained.

## Back Office Policy:

The user rights for the back office shall be determined and shall be monitored regularly by the Compliance Officer. The compliance officer while monitoring shall verify the logs maintained.

## Team Trading Policy

The integrity of a brokerage house is its prime asset and the following personal trade policy is there to safeguard the interest of the clients:

1. Team Members<sup>1</sup> who wish to engage in trading activities must submit a written undertaking with the company stating his understanding and willingness to abide by all applicable laws, rules, regulations and codes prescribed by the regulators.
2. Team Members will only be allowed to trade on their own behalf through the Personal Trade Accounts held with the company.
3. To make sure that clients get the best execution and no front running is conducted on client orders, rules will be framed for team members\* wishing to conduct trading in stocks.
4. If any team member has any questions about his eligibility to buy or sell securities, he should contact the Compliance Officer before executing the trade

## Appointment and Tenure of Dealers

The appointment, termination and tenure of the dealers will be decided based on the relevant General Rules and Regulations of the Pakistan Stock Exchange (section 12,14 and 16 PSX regulations).

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<sup>1</sup> Team Members: All employees, dealers, agents and traders that are employed by Iqbal Usman Kodvavi Securities (Pvt.) Ltd.

## Guidelines on CDS operations

The opening of the CDC Sub-Account ("SA") of the client and CDS operations will be governed by the following guidelines:

1. Any of the clients wishing to execute deal in the securities, which are included in the CDC, will be required to open a SA with the company on the CDS system.
2. To open a SA into a CDC client are required to enter into an agreement with the company. Agreement shall be signed by client or any other person authorized by client in account opening form.
3. Under this agreement client shall authorize IUKS to:
  - Receive and hold Securities subscribed, acquired, owned or purchased by the Client in safe custody in his SA and/or IUKS Group Account with Central Depository Company of Pakistan Limited (CDC);
  - Sell, deliver or effect deliveries of the Securities sold by the Client;
  - Move/handle the Client's Securities from his SA from time to time, including for settlement purposes, to dispose them off at any time without any notice to the Client and to apply the net proceeds thereof towards the adjustment of the Client's outstanding(s) that may be due directly or indirectly to IUKS, including under normal settlements as well as against the Client's losses and exposures.
4. The completeness and accuracy of registration details provided by potential SA holders should be ensured in every respect before opening a new SA in CDS. In case the registration details obtained from the client are prima facie inaccurate or are otherwise incomplete the sub account should not be opened.
5. If at any time, notification is received from the SA holders regarding change in his registration details, these changes should be made in SA of client in CDS.
6. The securities entered in the SA of the client maintained under the main participant account of the company should not be handled without the permission of the client.
7. No officer of the company and no other person who has by any mean knowledge of any information or document whatsoever relating to the affairs of the account-holders, and in particular relating to their accounts or SAs, shall give, divulge, reveal or otherwise disclose such information or documents to any other person.
8. All possible efforts should be undertaken to ensure the seamless operation of the CDS

## Guidelines on Access Rights

The following is the policy on managing the access levels of various employees:

The following are some indicative guidelines on setting access levels for CDS and KATS system:

- CDS Level 1: (Head of Settlement/Head of Operations) can make transactions, save them, post them to counterpart, open and post a new SA within the participant account or can take print out of any report or transaction screen.
- CDS Level II: (CDS Operator) can make transactions, save them, save information on new accounts and can take print out of reports.
- CDS Level III: (Head of Operations) can only post transactions.
- KATS: (KATS Operator) the Head of Sales will designate dealers that will input trades in the KATS. Passwords for each terminal will be given to its operator.

## General Guidelines and Controls

The following are general-purpose guidelines issued in order to further ensure seamless operations of the company:

1. Controlling the activities of all personnel will be the responsibility of the management. The management will develop clear cut policies on the authorities and responsibilities of the employees.
2. Salesperson, dealers and other staff share equal responsibility for maintaining confidentiality of their transactions. No information should be disclosed to a third party without explicit permission from all the parties involved and the management of IUKS rights.
3. The amount deposited as security margin by the account holder (s) with the broker shall only be used for the purposes of dealing in securities, such as trading and settlement of securities.
4. The IUKS, as per the regulations of SECP, shall be authorized to act on the verbal instructions of the account holders. However, the company will provide a written confirmation of the executed transactions as required by the rules of SECP.
5. All the rules and regulations of SECP, CDC, NCCPL and PSX along with other law of the land will be complied with and will not engage in any transactions that are not in conformity with the prevalent laws.
6. Clients have to inform the company of any discrepancy in confirmations and ledger statements within one business day of the receipt of the statements.
7. The company is not bound to disclose any information regarding clients to any third party unless there is a written request from regulators.
8. The management may appoint Head of Settlement as Head of Operations in his absence.
9. It would be the responsibility of the company to make an effort that the clients are aware of the rules and regulations of the company and the risk to which they are exposed.

## Compliance Officer

### Roles and Responsibilities:

- Monitoring and compliance of trading right entitlement certificate holder affairs.
- Compliance officer will manage all company affairs such as SECP Regulation and others.
- Customer / Investors can contact the compliance officer directly to file any complaints
- Compliance Officer will manage all customer complaints
- Compliance officer will manage any and all arbitration issue with IUKS.
- Aid directors in regulatory affairs.
- Review all trade related regulations
- Review all process to segregate client's assets.
- Review Order Instruction and Confirmation Policy
- Review and evaluate risk management infrastructure.
- Review risk management policies with in IUKS.
- Compliance officer should be aware of existing and new regulations.
- Review all SOAF and recommend any changes in SOAF.
- Review and manage all regulations for maintenance of member or house account.
- Compliance officer is responsible to renew agents certificate on timely basis.
- Compliance officer will review and monitor employees trade to ensure all trades within IUKS are as per policy.
- Review and monitor regulation of Net Liquid Capital
- Review and monitor Net Capital Balance.
- Compliance officer will assist internal auditor to review of internal control.
- Facilitate external auditors to conduct external audit.
- Review all payments and receipts to ensure that all financial transactions are as per policy.

### Reporting

- Compliance officer works completely independently within IUKS.
- Compliance officer can interfere in any department without prior approval of the management.
- Compliance officer will report directly to the Chief Executive of IUKS for all matters.



- In case, management does not respond properly on serious issues then compliance officer can directly report to regulatory officers.

#### Eligibility Criteria

- Professionally qualified with at least 2 years of relevant experience or a graduate with more than 10 years in brokerage house.