

POLICIES, PROCEDURES, SYSTEMS AND CONTROLS TO RESOLVE CUSTOMER COMPLAINTS, HANDLE CONFLICT MANAGEMENT, MONITOR UNETHICAL CONDUCT AND MARKET ABUSE, PREVENT MONEY LAUNDERING AND COMBAT TERRORIST FINANCING:

RISK MANAGEMENT:

1. General Risk Management Guidelines

The Company shall maintain at all times a minimum Net Capital of not less than 25% of its Total Capital. Total Capital is defined as share capital, free reserves and retained profits and losses. (Refer Schedule II which outlines the method of calculating the net capital).

1.1 Specific Risk Management Guidelines – Equity Offline

“Client Net Capital” means “Net Asset Value of the client at any point in time calculated on the basis of its last available audited accounts.”

“Exposure” means “at any point in time, cumulative net unsettled amount of purchases and sales, of a client, under Ready, Margin Financing, Margin Trading, Future contract both in equities, SIFC (Stock Index Future Contract) and provisional listings”.

“Margin” “is the collateral (in either cash or securities after haircut) that clients has in his trading account for taking exposure in ready, future and all other applicable leveraged markets at that time”.

“Margin” “is the minimum amount of collateral (in either cash or securities after haircut) that clients must deposit or maintain for taking exposure in ready, future and all other applicable leveraged market at that time”.

“Net Exposure” means “Exposure taken by any client increased/decreased by their debit/credit ledger balance and custody balance of eligible scrip after trading activity adjustment and application of haircut on custody.”

“Net Equity” means reduced value of clients’ portfolio +/-clients’ credit or debit balance

“Total Capital” means “share capital, free reserves and retained profits and losses”.

“Net Capital” means Net Capital Balance for equity market would be as calculated as per the Rule 2(d) of, and Third Schedule of the Securities & Exchange Rules,1971 and Net Capital Balance for Commodity Market

would be calculated as per the Rule 11(1) (n) of the Commodity Exchange and Futures Contracts Rules, 2005.

1.1.1 Per-Party Exposure Limits – Equity Market

The maximum exposure at a given point of time can be allocated to a client as per the following authority matrix:

EXPOSURE LIMITS AUTHORITY MATRIX

	Executive Committee	Chief Executive
Non DVP – Individual	Up to 20% of <i>Asad Mustafa's</i> net capital	Up to 10% of <i>Asad Mustafa's</i> net capital or
DVP – Individual	Up to 25% of <i>Asad Mustafa's</i> net capital	Up to 10% of <i>Asad Mustafa's</i> net capital
NON DVP – Institution	Up to 20% of <i>Asad Mustafa's</i> net capital	Up to 10% of <i>Asad Mustafa's</i> net capital
DVP – Institution	Lower of: 25% of clients net capital(equity)/fund size or (1 time of <i>Asad Mustafa's</i> net capital	Lower of: 20% of clients net capital(equity)/fund size or (half of <i>Asad Mustafa's</i> net capital
B 2 B Client (both individual and Corporate member)	N/A	N/A

Note: please check Local institutional Client Limit Assignment Matrix for exposure assessment. All limits exceeding the Executive Committee level shall be approved by the Board of Directors.

***These limits are based on the following client types and basis:**

- Non-DVP Individual: These clients are allocated the limit based on Company's standard margin requirements policy which applies to these clients by default according to their cash and holding balance,
- DVP Individual: These are high net worth individuals with excellent trading record, sound reputation and ability to trade large volumes. Before assigning DVP status to these individual clients, details shall be sent to Risk Committee for review after initial assessment by *Asad Mustafa* Risk & Compliance Department.
- Non-DVP Institutions: These clients are relatively smaller and medium size companies with limited exposure in stock market and are allocated the limit based on their financial standing as reflected in their documents like financial statements, credit rating, CDC statement showing investments in stock market, etc. Market reputation in light of recommendation from head of Sales and track record with other brokerage

houses is also given due weightage. These institutional clients' details shall be sent to Risk Committee for review after initial assessment by **Asad Mustafa** Risk & Compliance Department.

- DVP- Institution These clients are large institutions which are established market players like commercial banks, insurance companies, DFIs, etc. They are allocated the limit based on their financial standing as reflected in their documents like financial statements, credit rating, CDC statement showing investments in stock market, etc. Market reputation in light of recommendation from Head of Sales and track record with other brokerage houses is also given due weightage. These institutional clients' details shall be sent to Risk Committee for review after initial assessment by **Asad Mustafa** Risk & Compliance Department.

- B2B Clients: These are members of other stock exchanges who trade on behalf of their clients. They are allocated trading limits based on their net capital balance, financial standing, market reputation, etc. in light of their trading history with the Company, their limit can be enhanced upon recommendation from branch head. The weightage is also given to the reputation and history of the brokerage house as maintained by the Stock Exchanges, SECP, etc. such as defaults, investor complaints

- Where a **Asad Mustafa** company opens an equity trading account with the Company, its trading limits over above those prescribed above, if any, shall be approved by the CEO.

- DVP – Foreign Institutional Clients: Exposure limits assigned to these clients shall be determined on case to case basis and shall be approved by the Executive Committee on the basis of the documents provided by these clients. Asad Mustafa Securities (SMC-Pvt.) Limited's Risk & Compliance Department will review and send the details to Risk Committee for review.

- DVP – Foreign Individual Clients: Exposure limits assigned to these clients shall be determined on case to case basis. Asad Mustafa Securities (SMC-Pvt.) Limited's Risk & Compliance Department will review and send the details to Risk Committee for review.

Note: All institutional Clients shall be assessed based on following matrix. CRITERIA FOR TRADING LIMIT ASSESSMENT

S,NO.	Description	Details
1	Client's Credit Rating	As assigned by an accredited Credit
2	* Client's Net Capital / Fund size	
3	Client's Legal Structure	Type of Company e.g. Sole Proprietorship, partnership, private
4	Financial Analysis	Net Capital, investments in securities,
5	Reputation	Internal and external opinions.

MATRIX FOR LOCAL INSTITUTIONAL CLIENT LIMIT ASSIGNMENT

Long Term Credit Rating of Client		AAA	AA+	AA-	AA	A	BBB+	BBB	
Non-DVP Institution	NON- IDS	Amount	150	140	125	110	100	90	75
			OR	OR	OR	OR	OR	OR	OR
		Client Net	25%	20%	17.5%	15%	12.50%	11.50%	10%
		AMOUNT OR % OF CLIENT CAPITAL WHICHEVER IS LOWER							
DVP INSTITUTION	NON- IDS	**% of NCB	90%	80%	70%	60%	40%	20%	10%
			OR	OR	OR	OR	OR	OR	OR
		Client Net	35%	31.5%	27.5%	25%	24%	22%	20%
		% OF NET CAPITAL BALANCE OR CLIENT CAPITAL WHICHEVER IS LOWER							
	IDS	**% of NCB	150%	100%	80%	70%	50%	40%	25%
			OR	OR	OR	OR	OR	OR	OR
		Client Net Capital	35%	32.50%	30%	25%	24%	22.0%	20%
		% OF NET CAPITAL BALANCE OR CLIENT CAPITAL WHICHEVER IS LOWER							

* Net Capital means "Paid-up Capital + distributable Reserves - Losses"

** Net Capital Balance

- All DVP Institutional Clients must be IDS. If Institutional client is Non-IDS then credit rating is mandatory requirement for assigning DVP status to the client.
- Where a company, fund, financial institution, etc. has no credit rating, the Non-DVP Institution approval limits shall be applicable to them.
- If any Institution requires special exposure limits then approval shall be obtained from Board of Directors based on Risk Committee's review.
- Marked to Market (MTM) trades - On a case to case basis, exposure limit approval will be obtained from Executive Committee which is beyond the limits prescribed in the authority matrix.

Approval from the CEO shall be by default. Approvals from EC and BoD shall be in writing. Notes:

- At the time of the opening of an account all clients (excluding Non-DVP individuals and Non- DVP Institutions) shall be assessed a per-party exposure limit by the Risk Management & Compliance Department in accordance with this policy manual. It is the responsibility of the RM department to develop and maintain the guidelines for monitoring and reviewing per-party exposure limits at all times (for guidelines refer to the Risk Management and Compliance Procedural manual).
- Per-party exposure limits will be set in the MIS system for each client. The Operations Department will maintain this data in MIS system. RM will monitor and generate daily reports designed to flag any and all limit breaches. The limit breach prevention mechanism shall be automated.

- **Asad Mustafa** has the right to change per-party exposure limits from time to time depending upon the client(s) portfolio size and credit risk involved. Clients will be notified in advance of all changes made to their respective per-party exposure limits
- The per-party limits will be reviewed on a daily basis through dashboard by RM. Any breach identified by the RM&C in the per party exposure limits shall be reported to the relevant approval authority within two weeks and subsequent approval shall be obtained accordingly..
- Those Institutions whose financial statements are not available would be treated as “DVP – Individual” for the purpose of per party exposure limit
- With respect to future market transactions, margin percentage will be decided by the management in accordance with the prevailing market conditions from time to time and will be intimated to the client three business day before its implementation
- Every quarter, DVP client list will be submitted to the Executive Committee for review.
- Any breach in the exposure limit shall be highlighted in the Dashboard and approval request shall be circulated through resolution from Executive Committee/Board within 14 days for enhancement.

1.1.2 Margin/Haircut Requirements

1.1.2.1 Calculating client’s margin

The client’s margin will be calculated on Net Equity basis (Reduced value of client’s portfolio +/- client’s credit or debit balance). Margin percentage will be decided by the management in accordance with the prevailing market conditions from time to time and will be intimated to the client at least 24 hours before its implementation.

1.1.2.2 Calculating Haircut

Haircut is applied on all eligible symbols/scripts. Haircut shall be applicable @ 20% or as per KSE Haircut rate whichever is higher provided that the Company may revise upward the haircut percentage of any scrip, prescribed by KSE. Risk Manager (RM) will review the list of eligible scripts on a monthly basis and recommend addition and deletion in eligible symbols/scripts to the CEO while ensuring that haircut rates should not be lower than KSE haircut rates. RM will take approval for addition and subtraction in eligible symbols/scripts and will communicate to Operation Department for updating list of eligible securities in MIS.

Purchase on margin to Non-DVP Institution and Non-DVP individual clients will only be allowed in Margin eligible Securities. Trading in other than margin eligible securities shall be allowed on cash basis. Case to case basis prior waiver would be required from CEO where another share is to be purchased.

The operation department will update the variation in haircut rates on eligible scripts in MIS at least on weekly basis as informed by RM & C department or as reviewed by KSE. This update shall be automated.

1.1.3 Margin & Exposure Maintenance

- All Non-DVP individual and Non-DVP Institutional clients will be assigned a margin on their Net Equity (Net Cash Balance plus custody value after haircut). Margins for each client will be monitored daily by RM and any deviation from the assigned minimum requirement will be immediately communicated to the head of equity sales who will then communicate with the client to duly settle the margin
- Clients other than Non-DVP Individuals and Non-DVP Institutions, are required to maintain their trading activity according to their approved exposure limits. The related trader will ensure this and it will be monitored by the RM & C
- During the if required, intra-day limit shall be appo

1.1.4 Margin Call

- In case a client's margin declines below the required level, the risk management department shall inform the head of equity sales who in turn will instruct the concerned trader to inform the client (over a recorded telephone line / in writing / email) to post additional margin within one business day. If additional margin is not posted by the client within one business day of such intimation or based on commitment made by the client, the custody / open position of the client shall be sold under intimation to the risk manager to the extent that the margin call is settled.
- There shall be no exception to this policy except as mentioned in point 6.1.4.1 "Policy exception". Traders shall have the responsibility to maintain the clients' margins. However, the risk management department will independently monitor and has the authority to square-off any position if margin falls below 20% to bring the account in line with Company policy

1.1.4.1 Exceptions

For exceptions related to margin calls and debit balances the CEO can give waiver up to Rs. 30

Million. Similarly, the Executive Committee can give waiver of an amount not greater than Rs. 50

Million. Any amount greater than Rs. 50 Million will need the Board's approval.

1.2 Specific Risk Management Guidelines – Equity Online

- All ready market transactions are to be executed against already available cash balance
- With respect to future market transactions, margin percentage will be applied as per Company policy of Non DVP individuals. Any change in the policy shall be intimated to the client through email at least one business day before its implementation
- Margin call notification is to be issued when margin goes below the required limit
- No debit balance to be maintained
- The Head of Risk Management and Compliance shall have the discretion to liquidate the margin position after one business day of margin call having been sent
- The per-party limits will be reviewed on a daily basis through dashboard by RM. Any breach identified by the RM&C in the per party exposure limits shall be reported to the relevant approval authority within two weeks and subsequent approval shall be obtained accordingly.
- The maximum exposure (per party) for future positions at a given point of time shall be allocated to a client as per the following authority matrix:

	Broader Limits	
	Executive Committee	Chief Executive
Non DVP	Greater than 1% and up to 2.5% of Asad Mustafa's net capital	Up to 1% of Asad Mustafa's net capital

All limits exceeding the Executive Committee level shall be approved by the Board of Directors.

1.5 Common Risk Management Guidelines

1.5.1 House Exposure Management System

It is the responsibility of Finance and Operations departments to check and maintain house exposure. The IT department will maintain systems that will generate daily reports which clearly identify cash, bank guarantees and eligible scrips that are deposited as exposure margin with KSE on behalf of a client and match it against the clients' margin (in the form of cash and eligible scrips) assessed by **Asad Mustafa**.

The RM department will independently monitor house exposure and shall have the authority to square-off any and all positions required to bring the account back in line with Company policy.

1.5.2 Mark-to-Market Gains and Losses

All client market-to-market gains/losses will be settled on the following basis:

- **Gains** in future market, MFS and MTS (will be held till the completion of future contract/MTS&MFS contract period)
- **Losses** T+0

All mark-to-market gains will be adjusted with the special margin requirements as and when instituted by the KSE.

1.5.3. Haircut on Custody & Eligible Securities held as Margin

All custody held as margin for ready, future and MFS & MTS transactions will be assigned a haircut percentage that reflects the scrip's volatility and liquidity. As described above under "Calculating "Per-Scrip" margin and haircut" RM will determine the appropriate haircut percentage.

Margin Eligible Securities list and Haircut percentage will be monitored by RM & C and any change whether additions / deletions that are recommended to the CEO by RM & C will require approval of the Executive Committee for implementation.

1.5.4. Position Limit

Position limit (per client and that of house) based on free float of shares in MTS, MFS, DFC, CSF, Provisional market, etc are monitored at KSE & NCCPL terminal level.

Operations department will update the free-float and haircut of securities into the Risk

Management system on a monthly basis / weekly basis.

The PSX prescribed position limit is the maximum limit that can be prescribed. However, the risk manager can reduce this limit further to compensate for added risk and intimate to Operation Department for modification changes into the system.

1.5.5 Default by a client

In the event of default by the client(s) the Company shall have a right to sell, realize or en-cash the client(s) securities to recover the total Purchase Price or the Repurchase Price as the case may be, including Service Charges with financial charges at prevailing rate for each day commencing from the date of the institution of the arbitration proceedings or the suit or any other legal proceedings, as the case may be, till realization by payment made by the Account Holder(s) or by enforcement of the arbitral award or the decree of the court, as the case may be, to cover the Broker's cost of funds. Provision for doubtful debts will be recognized as per Company's Accounting Policy.

1.5.6 Safe Custody of Tape Recordings

All placements of orders and related communication with a client shall be on recorded telephone line linked to the Company's system or in writing. The Company shall maintain the record of oral communication as required under related Rules and Regulations.

CUSTOMER COMPLAINTS

Complaints procedures are properly maintained by “**Asad Mustafa Securities (SMC-Pvt.) Ltd.**” through following manners:

1. Online Complain system has been provided for the customers to make complain of any issue he is facing at our website address: www.asadmustafa.com.
2. Online Complain to SECP track is also provided on our website for customer safety if the company do not entertain customer, the customer can complain about company to SECP directly.
3. For manual complain procedure, all the customers of the Company have the Contact numbers/email addresses of the Company’s Management on which they can complain directly and the Company will entertain on immediate basis.

If a customer follows the above procedures he/she will be able to stop unethical conduct and market abuse in which the customer is on risk.

PREVENT MONEY LAUNDERING AND COMBAT TERRORIST FINANCING

To prevent money laundering and combat terrorist financing the Company follows the following KYC:

KYC / CDD Checklist

Date	Account Title	Account / UIN #
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Minimum Information / Documents to be provided by Investor							
	Pls tick		Pls tick		Pls tick		
1. Individuals/Sole Proprietorships		2. Partnerships		3. Institutions/Corporates			
CNIC of Principal and Joint Holders / Passport for Foreign Nationals / NICOP for non-resident Pakistanis		CNICs/NICOP of all partners, as applicable		CNIC / NICOP of Authorized Signatories and Directors			
Proof of Employment/Business		Partnership Deed		List of Directors and Officers			
NTN Certificate, where available		Latest financial statements		NTN Certificate			
		Certificate of Registration (in case of registered partnership firm)		Documentary evidence of Tax Exemption (if applicable)			
		NTN Certificate		Certificate of Incorporation			
				Certificate of Commencement of Business			
				Certified Copy of Board Resolution			
				Memorandum & Articles of Association/ Bye Laws/ Trust Deed			
Audited Accounts of the Company							
4. Trusts		5. Clubs Societies and Associations		6. Executors/Administrators			
CNICs of all trustees		Certified copy of certificate of Registration		CNICs of all Executors/Administrators			
Certified copy of the Trust Deed		List of members		Certified copy of Letter of Administration			
Latest financials of the trust		CNIC/NICOP of members of Governing Board					
Documentary Evidence of Tax Exemption (if applicable)		Certified copy of bylaws/rules and regulations					
Trustee/Governing Body Resolution		Copy of latest financials of Society/Association					
		Board/Governing Body Resolution					
If documents / information is complete, proceed to Section B							
List any missing documents / information below:							
1							
2							
If ANY document or information is missing, proceed to Section G.4							

SECTION B

Annexure –A

Assessment of information provided in section A		
Based on information provided in A,		
1. Is the investor also the ultimate beneficiary of the funds to be invested If NO, joint account should be opened or power of attorney be provided by ultimate beneficiary with relevant documentary details of the beneficiary	YES	NO
2. In case the Investor is a private company , IS the latest shareholders' list available	YES	NO
3. In case of Government Accounts , Mark YES if the account is not in the personal name of the government official A resolution / authority letter (duly endorsed by Ministry of Finance or Finance Department of concerned government) is available, which authorizes the opening and operating of this account by an officer of federal / provincial / local government in his / her official capacity	YES	NO
If the answer to any of the above questions was 'NO', go to section G.3 or G.4, otherwise go to Section C		

SECTION C

Risk Category of Investor	Please tick box		
1. Government Department / Entity	<input type="checkbox"/>	LOW RISK	<i>Go to Section G.1</i>
2. Public listed company	<input type="checkbox"/>	LOW RISK	<i>Go to Section G.1</i>
3. Private limited company	<input type="checkbox"/>	MEDIUM RISK	<i>Go to Section G.2</i>
4. Non-Governmental Organization (NGO)	<input type="checkbox"/>	HIGH RISK	<i>Go to Section G.3</i>
5. Trust / Charity	<input type="checkbox"/>	HIGH RISK	<i>Go to Section G.3</i>
6. Unlisted Financial institution	<input type="checkbox"/>		<i>Go to Section D</i>
7. Individual	<input type="checkbox"/>		<i>Go to Section E</i>

SECTION D

Annexure -A

Unlisted Private Financial Institution (NBFI)		
Is the unlisted private financial institution domiciled in Pakistan and is regulated by the SECP/State Bank of Pakistan (SBP) OR Is it domiciled in a FATF member country that is satisfactorily following the FATF recommendations and is supervised by a regulatory body	YES	NO
	YES	NO
If YES, proceed to Section G.1	If NO, proceed to Section G.3	

SECTION E

Individual		
1. Is the person a non-resident Pakistani	YES	NO
2. Is the person a high net worth individual with no identifiable source of income or his/her profile/source of income doesn't match with size & quantum of investments/	YES	NO
3. Is the person involved in dealing in high value items <i>(based on declared occupation)</i>	YES	NO
4. Is the person a foreign national	YES	NO
5. Does the person appear to have links or money transfer to/from offshore tax havens or belongs to country(s) where KYC/CDD and anti money laundering regulations are lax (in terms of not sufficiently applying FATF recommendations)	YES	NO
6. Is there any reason to believe that the person has been refused account opening by another financial institution / brokerage house	YES	NO
7. Is the person opening the brokerage account on a non-face-to-face basis/on-line	YES	NO
If the response to any question (1-7) above was 'YES', proceed to Section G.3		
8. Is the person a holder of a senior level public (government) office i.e. a politically exposed person (PEP) or a family member of PEP.	YES	NO
9. Is the person a holder of high profile position (e.g. senior politician)	YES	NO
If the response to any question (8-9) above was 'YES', proceed to Section F, else proceed to Section G.1		

SECTION F

Annexure-A

Politically Exposed Person / Foreign National / Holders of High Profile Position		
Is the brokerage account relationship with this high risk category person including politically exposed person / foreign national / holder of high profile position, approved by the Nominee Director, CEO / COO of the brokerage house (<i>approval shall be provided by management through signing the respective Account Opening Form</i>)	YES	NO
If YES, proceed to Section G.3	If NO, proceed to Section G.4	

SECTION G

Investor Risk Profile		
	Risk Classification	KYC Requirements
G.1	LOW RISK	Reduced KYC Requirements shall be applicable: Investor account can be opened once information / documents mentioned in section A have been provided.
G.2	MEDIUM RISK	Greater care required and documents listed in Section A should be obtained before opening of account.
G.3	HIGH RISK	Enhanced KYC Requirements shall be applicable: Investor account can be opened once information / documents mentioned in section A have been provided. Transactions shall be monitored to ensure that the funds used for investments are from an account under the Investor’s own name in a financial institution (e.g. bank) subject to high due diligence standards and the amount and frequency of investments are not unusual given the nature and financial strength of the Investor
G.4	HIGH RISK	Account cannot be opened as KYC Requirements have not been fulfilled.

CONFIRMATION of physical presence of customer when opening account	YES	NO
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Other Comments

Completed by:

Name of Sales Person / Agent

Signature

Date

Checked by:

Name of Compliance Person

Signature

Date