

Policy & Procedures for KYC/CDD

The KYC/CDD Policy Outline

Dr.Arslan Razaque Securities (Pvt) Ltd. will not open an account or enter into a relationship and will close an existing account / terminate a relationship, if it cannot establish the true identity of the customer and / or nature of business in accordance with applicable laws and regulations.

- a) Dr.Arslan Razaque Securities (Pvt) Ltd. shall not accept assets that are known or suspected to be proceeds of criminal activity;
- b) Dr.Arslan Razaque Securities (Pvt) Ltd. shall not Enter into / maintain business relationships with individuals or entities known or suspected to be terrorists or criminal organizations or their members or listed on sanctions list; and
- c) Dr.Arslan Razaque Securities (Pvt) Ltd. shall not Maintain anonymous accounts or accounts in fictitious names; and

KYC/CDD Includes

- 1) Customer Identification
- 2) Risk assessment of customer
- 3) Circumstances where Enhanced Due Diligence is required
- 4) On-going Due Diligence

1. Customer Identification

1.1. A minimum set of document needs to be obtained from customers/potential customers at the time of opening their brokerage account.

1.2. It is important to recognize the beneficial owner of the account. If the account is to be opened by other than beneficial owner, relevant documents of beneficial owner are to be obtained.

1.3. For non-individual customers (e.g. companies, pension funds, government owned entities, non-profit organizations, foreign companies/ organizations) additional care has to be taken to establish the ownership and control structure of such an organization.

1.4. Dr.Arslan Razaque Securities (Pvt) Ltd. has to make sure and be careful that accounts of Institutions/organizations/corporate bodies are not opened in the name of employee(s)/official(s).

1.5. To determine the risk category of client following procedure should be follow;

1.5.1. Domestic customer working in a company with regular income would be **low risk category**;

1.5.2. Government employee may be in a **higher risk category** because of the potential for conflict of interest;

1.5.3. Foreign organization having foreign currency sources would be in **high risk category** requiring more careful identification procedure and close monitoring of account operations.

1.6. Physical presence of the account opener/authorized representative is required at the time of opening a brokerage account. In the case of non-resident/overseas customers or customers in other cities where Dr.Arslan Razaque Securities (Pvt) Ltd. does not have a branch/office, more strong identity verification procedures should be applied. These include verification by a **reliable third party**

2. Risk Assessment

Risk assessment by Dr.Arslan Razaque Securities (Pvt) Ltd. has to be done on the basis of information obtained at the time of brokerage account opening and has to be updated on the basis of information obtained during the relationship and doing business with the customer.

2.1. **“Politically Exposed Persons” (PEPs’) also fall under ‘High Risk Category.** These individuals present reputational risk and potential conflict of interest and extra caution is required when opening their brokerage account and monitoring their account activity.

3. Enhanced Due Diligence

Need for enhanced Due Diligence (EDD) arises, when a client is categorized as ‘High Risk’. Policies and procedures should be put in place so that activities and transactions of ‘High Risk’ customers are monitored and any unusual transactions are reported in a ‘Suspicious Transaction Report (STR)’.

3.1. If an existing customer falls into ‘High Risk Category’, the above requirements for monitoring and reporting suspicious transactions and senior management approval for continuing with the customer will also apply to such customer (s).

4. On-Going Due Diligence

4.1. Customer Due Diligence (CDD) is not a one-time exercise at the time of account opening only. For the purpose of On-Going Due Diligence, Dr.Arslan Razaque Securities (Pvt) Ltd. at all the time monitors transactions of all the clients, and keeps matching these transactions from the customer profile.

4.2. Dr. Arslan Razaque Securities (Pvt) Ltd. keeps all customer records updated and has a policy of assessing any change in customer profile on regular basis.

There should be standard comprehensive policy for developing customer profile. The policy should take into account all the relevant factors. Customer particulars/ profiles should be maintained through appropriate database and remains available to relevant departments of brokers /inspections. The policy should be implemented across the board and its implementation must be checked by the compliance function.

Policy Periodic Reporting to Customers

(Reference # 2 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that the adherence of reporting framework with regulatory requirements and compliance function in terms of frequency, comprehensiveness authenticity and accuracy. This may include compliance with CDC regulatory requirement for sending securities balance reports and with Pakistan Stock Exchange (PSX) rule book for account statements.

The compliance function should check adherence with reporting framework including maintenance of evidence of sending the reports to customers.

Policy on Segregation of duties

(Reference # 5 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that clear lines of responsibility, authority and tasks that are adequately assigned to its employees and accredited representatives.
- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that segregation between front office and back office functions. Accordingly, person responsible or authorized to execute proprietary trades or client trading should not have access to books of accounts and should not have authority to access/ modify the back office record.
- Dr. Arslan Razaque Securities (Pvt) Limited shall that an appropriate segregation of duties and information barriers between own account or proprietary trading and customer dealing functions.

Policy on Trading in Brokerage Operations/ Trade review procedures to detect violation with regulations

(Reference # 6 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that control environment and control procedures relating to trade activities. This includes that trades in the customer accounts (over phone, off-site terminal) shall be executed by the authorized personnel as per the customer account / custody balance in accordance with the defined procedures.
- Dr. Arslan Razaque Securities (Pvt) Limited shall insure surveillance mechanism to discourage deposit taking (on fixed/promised returns) by its all employees/dealers/accredited representatives.
- Dr.Arslan Razaque Securities (Pvt) Limited shall insure details of buying and selling should be corroborated with the following:

KAT Sheets
Broker intimation to customers
Trading Telephone recording/documentary evidence of placement of order.

- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that procedures to detect any illegal trading activities e.g. wash trades, insider trading etc. Appropriateness of those procedures should be checked and implemented by the compliance function.
- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that amount transferred Dr.Arslan Razaque Securities (Pvt) Limited's bank account to NCCPL account for settlement of position and transactions from daily NCCPL bank activity report should be on the same date. Controls should be established for excess/ short payment, if any, and reason should be documented.
- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure its trade procedures that the reconciled authorized orders are executed recorded, confirmed, settled in the customer's account. Dr.Arslan Razaque Securities (Pvt) Limited shall further ensure to maintains the segregated custody of customer balances to prevent misuse of client funds.
- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure demonstrate that funds of clients are not used for brokers own benefit. For this, a designated customer bank account should be kept segregated from any account holding money belonging to the securities broker and its compliance should be checked.
- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure to keep records of:
 - (a) all amounts deposited into the designated bank account(s), specifying the customers on whose behalf the amounts are held and the dates on which the amounts were received;

(b) all payments from the designated bank account(s) through cross cheques or other banking channels, the dates of those payments, and the names of the customers on whose behalf the payments are made.

- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure controls over movement of securities from customer account and pledge or deposit of these securities as collaterals as per the customer authorization.
- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that periodic trade activity reports should be sent to the clients for verifiable and agreed mode of confirmation of trades and maintenance of client segregated assets where applicable. Verifiable and agreed mode of confirmation should be used. The contents of the activity reports should be as per rule book of PSX. The frequency of reporting should also adhere with the regulatory requirement.
- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure adequate maintenance of control over reconciliation of balances (custody and account balance) with a) customers; b) NCCPL; c) CDC.
- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that roll forward of future contracts are carried accurately and corresponding margin calls, if any, are made on timely basis from customer. Proper communication and settlement with the Exchange and customer should be prepared.
- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that trade activities carried out by the employees of the broker, as provided in the licensing regulations, including their written permissions, maintenance of unique identification database stating the particulars of employees and establishment of required monitoring procedures. The compliance function should check its compliance for design and implementation. Control and procedures established to ensure compliance should be checked for design and implementation

Policy on Custody, Segregation of Customer' Assets (applicable on TSC or deemed TSC broker)

Reference # 7 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall insure for controls over custody, segregation of client assets with own assets and controls to prevent misuse of client assets. Separation of the custody of assets helps protect embezzlement, cover up theft, and prevent fraud.

Dr.Arslan Razaque Securities (Pvt) Limited shall insure separate maintenance, custody, segregation and settlement of reconciled client assets and client margins (including transfer of profits on unutilized funds to customers) should be as per regulatory requirements as applicable in Pakistan and there must be appropriate controls to ensure the same.

Clients Assets Segregation Statement (CASS) should be prepared at least on fortnightly basis and should be checked by the Compliance Officer.

- a) Total number of securities held in own account and in clients' accounts reported in the Statement should be 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 own account and in clients' accounts reported in the Statement should agree with the total number of securities held as per CDC records as reported in the Statement.
- d) All the securities should be reported in the Statement.
- e) Amount of Trade payables reported in the Statement should match with the books of accounts as at cutoff date.
- f) Amount of Cash at bank reported in the Statement should match with the amount appearing in the bank statements of clients' bank accounts at cutoff date.
- g) Amount of Trade payables as reported in the Statement should agree with the cash at clients' bank account as reported in the Statement.

Compliance function should ensure the accuracy of CASS and also its timely filing to the Stock Exchange in accordance with the guidelines prescribed by the regulator. For this, the securities brokers should:

- keep all clients' monies & securities segregated and secure from its own assets
- 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' cash ledger must be supported with equivalent amount of in clients' bank account(s).
- At any point in time, clients' securities position as per back office record must be supported with equivalent holding balances as per CDS record.
- Any difference should be justified through reconciling entries.

In addition to fortnightly un-verified submission, Dr.Arslan Razaque Securities (Pvt) Limited should also submit CASS to PSX within 45 days of close of the financial year, duly verified by the statutory auditor.

The compliance officer or any other officer should regularly monitor the customer assets, movements therein, and prepare reconciliations as required. In case of any discrepancy, the same must be reported to the securities broker for taking immediate remedial action. In case the securities broker fails to rectify the position within three business days, the matter should be reported to the Commission and the securities exchange by the compliance officer.

POLICY of Maintenance of Net Capital Balance/ Liquid Capital/ BMC Requirements

(Reference # 8 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall comply 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.

- Compliance function should ensure that the calculation of Net Capital Balance (NCB)/ Liquid capital is made in accordance with Schedule II & III of the Regulations. The calculation should also be reconciled with the back office record.
- NCB/ Liquid capital should be reported to the Stock Exchange in accordance with the guidelines prescribed by the PSX/ SECP.
- Dr.Arslan Razaque Securities (Pvt) Limited shall comply with the requisite Liquid Capital and BMC requirements.
- Dr.Arslan Razaque Securities (Pvt) Limited shall submit an audited Statement of NBC/ Liquid Capital semiannually.
- A compliance officer should ensure the accuracy and timely filing of the above statements.

Policy of Brokerage Commission

(Reference # 10 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that approved brokerage commission is in accordance with the agreement and is charged to individuals, corporates and other clients as per the terms of agreement. Adherence to the minimum brokerage commission rates prescribed by PSX, if any, should also be ensured.

- The compliance officer should ensure that commission rates are adequately maintained in the master data list and are approved by the authorized personnel of Dr.Arslan Razaque Securities (Pvt) Limited.
- The compliance officer should check the approved rates and if implemented through the IT system, the related IT controls should be implemented and checked on regular basis.
- The compliance officer should review invoice or bill issued to clients and should ensure that the same has been duly reflected in respective clients' ledger as well as ledger of commission income.
- Ledger account of commission income should be reviewed 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.
- Commission income appearing in ledger(s) should be compared with figures appearing in audited financial statements.

- Review 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.
- There should be clear procedure of disclosing the applicable brokerage commission to the customer at the time of account opening any change in the cost charged to the customer should be communicated to the customer in advance.

Policy of Conflict of interest

(Reference # 10 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that, there should be appropriate policies and procedures to minimize conflict of interest between securities broker and its customers. The procedures should identify and address situations where a conflict may arise. For example, where the broker is also acting as an underwriter for an issue or where the broker is also the book runner for a book building or acting as consultant for an issuer company etc. Similarly conflict arising due to proprietary trading and trading on behalf of client should also be addressed in the policies and procedures.

Furthermore shall insure following:-

- Controls in this regard should include 'Chinese walls' between staff performing conflicting duties and timely disclosures to clients.
- There must be documented procedures to address the above concerns and the compliance officer should ensure adherence with the same.
- Where conflict of interest arises between a Dr.Arslan Razaque Securities (Pvt) Limited and its customers, Dr.Arslan Razaque Securities (Pvt) Limited should immediately communicate the same to the clients.
- Dr. Arslan Razaque Securities (Pvt) Limited should not take any direct or indirect advantage from the situation and act in the best interest of the customer.
- A mechanism, including standard procedure should be in place to resolve any conflict of interest.
- Dr.Arslan Razaque Securities (Pvt) Limited should make appropriate disclosure to customers of potential areas of conflict of interest which could impair its ability to render fair, objective and unbiased service. Compliance function must ensure adherence to the same on regular basis.
- In case of any breach of policies by employees or accredited representatives, proper investigation should be carried out and action should be taken by the securities broker.

Policy Confidentiality of Information

(Reference # 11 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall ensure procedures including IT controls to ensure confidentiality of information and also to ensure that non-public information has not been misused.

Dr. Arslan Razaque Securities (Pvt) Limited should establish 'Chinese walls' including policies and physical apparatus designed to prevent the improper or unintended dissemination of market sensitive information from one division/department to another and to ensure the following:

- Dr.Arslan Razaque Securities (Pvt) Limited shall ensure that individuals making proprietary investment decisions are not trading on the basis of material nonpublic information obtained from another department or unit of the securities broker.
- Dr.Arslan Razaque Securities (Pvt) Limited and its employees and accredited representatives should 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.
- Dr.Arslan Razaque Securities (Pvt) Limited and its employees and accredited representatives shall refrain from trading on the basis of confidential information, and its employees and accredited representatives shall not reveal such information outside the company.
- Dr.Arslan Razaque Securities (Pvt) Limited and its employees and accredited representatives shall 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.

Controls over trading by employees including proprietary, employees and associates trading through other brokerage houses

(Reference # 12 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall insure procedures in accordance with the Regulations for trading by employees, accredited representatives, their spouses and dependent children. There should be controls and mechanism, including monitoring the trading activities of these persons to ensure that at least the following policies/procedures are being implemented:

- (a) disclosure by employee and accredited representative of any securities held by employee, spouse and /or dependent children along with details of their accounts with a securities broker. Such information should also be reported to the compliance officer;
- (b) prior written approval for trading by employees and accredited representatives for their own personal accounts or on behalf of their spouses and/or dependent children;
- (c) approval or rejection of an application seeking trading or investment in securities by employees and accredited representatives;
- (d) periodic disclosure of securities held by employees and accredited representatives and their spouses and dependent children, and reporting of actual transactions, including volume, date and price, in a timely manner,

(e) 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 securities broker,

(f) prescribing a minimum holding period and discouraging frequent short-term trading or trading for speculative purposes;

(g) prescribing trading windows and blackout periods to restrict the misuse of confidential information; and

(h) compliance of employees and accredited representatives in accordance with the requirements specified by the securities exchange and its code of conduct.

Dr.Arslan Razaque Securities (Pvt) Limited shall insure to execution of proprietary trades in terms of secrecy and trading ahead of outstanding orders of customers, and hereby authorized to Chief Executive Officer to operate the proprietary trading account.

Dr.Arslan Razaque Securities (Pvt) Limited shall insure to proprietary trades of a securities broker should be executed through designated terminals and by designated systems operators.

Dr.Arslan Razaque Securities (Pvt) Limited shall insure to restrict its employees and accredited representatives, including employees serving as directors on its board, from trading through another securities broker of the same securities exchange by declaration in NCCPL.

POLICY of Short Sell

(Reference # 14 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall insure for supervision and monitoring of short selling activities to ensure its compliance with the Regulations and the conditions specified by the securities exchange.

Dr.Arslan Razaque Securities (Pvt) limited engaging in short selling transaction on account of a customer should ensure that such customer is aware of the risks involved and has the financial capacity to assume such risks.

Dr.Arslan Razaque Securities (Pvt) limited should establish internal guidelines for short selling prior to conducting short selling transactions providing therein procedures for the supervision and monitoring of short selling activities, to ensure compliance with applicable prescribed regulations and conditions specified by the securities exchange.

There should be established procedures to prevent execution of blank sales. These should be implemented through a system and include 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).

Procedures should be there to ensure compliance with other requirements such as short sale on uptick or zero-plus tick etc.

Policy for ensuring implementation of trade review procedure

(Reference # 14.4 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall insure implementation of trade review procedure, reasonably designed to identify trades that may violate the provisions of the Act and any rules and regulations made thereunder.

POLICY of Reconciliation of house securities with CDC/NCCPL

(Reference # 16.4-16.6 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall insure following regarding reconciliation of house securities with CDC/NCCPL:-

- Reconciliations should be prepared by relevant officer and reviewed by Head of Operations and Risk management department.
- Appropriate adjustments should be recommended by relevant officer to back-office personnel and should be approved by the Head of Operations.
- These reconciliations should be performed on periodic basis.

POLICY of TAX (Recording of tax expense, withholdings and payments)

(Reference # 16.7-16.9 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall insure following:

- Taxation workings (Current and Deferred Taxation) should be prepared and reviewed by relevant personnel.
- The IRIS System of FBR to contain list of customers/ vendors along with their applicable rates. Once the payment is made to those customers, system should automatically compute the amount of withholding which is show on the payment voucher. In case of manual system is followed, the controls should be ensures to correct calculations.
- Relevant officer in the finance department should ensure that the amount has been actually withheld and this should be reviewed by any competent authority in finance department.

POLICY of Ageing & Provisioning

(Reference # 21 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall insure for aging and provisioning and its accuracy/calculations should be checked on a regular basis.

POLICY Recoveries / write offs

(Reference # 22 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall insure for recoveries / write offs. Person should be authorized to write off /collect recoveries in the light of working after consideration of the tax laws / IFRS. Furthermore, an approval should be required by the BoD.

Disclosure of provision should be made for the balances due for more than 5 days after taking into consideration of value of custody after applying haircut as prescribed in applicable regulations.

POLICY of Account opening/ closing

(Reference # 23 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall insure approval for opening of accounts along with name of signatories authorized to operate should be obtained from the Board.

The policy requires that:

- Personnel in finance department should fulfill necessary requirements which are reviewed and approved by Manager Accounts and then account is opened.
- Manager Accounts should authorize finance department personnel for the opening of new GL code for new account opened.
- The bank accounts should not be closed without obtaining the prior approval from the Board along with the reasons for closing the account

POLICY of Bank reconciliations

(Reference # 24 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

At least fortnightly, finance department personnel, shall prepare bank reconciliation of all bank accounts which should be reviewed and approved by the relevant authority.

All unusual items in bank reconciliation should be investigated by the approver.

POLICY of Payment / receipts of funds

(Reference # 25 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited shall insure the following:-

- Authorized signatories should be defined for the issuance of cheques/ pay orders/instruments.
- Once funds are received, finance department personnel shall verify relevant supporting documents and entry shall then made in the system after the authorization from the relevant authority.

- Payment voucher should be prepared by finance department personnel once the invoices or bills are received from user department. Payment shall be processed after payment voucher is approved by the relevant authority.

Furthermore, Dr.Arslan Razaque Securities (Pvt) Limited shall insure that receipts and payments from clients through cross cheques. Any exception of cash receipt should be reported to the PSX.

POLICY of Petty cash

(Reference # 26 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Limit of Petty Cash

Dr.Arslan Razaque Securities (Pvt) Limited's personnel should be authorized along with the following limits of cash maintained with him:-

Under Rs.25000/- No approval required

More then Rs.25000/- Approval shall be required

Physical count should be performed periodically by relevant personnel in the presence of head of user department.

Payments from petty cash should be made after taking the approval of user department head and then supporting documentation is forwarded to the finance department relevant personnel who will review and post the entry after the approval of the relevant authority.

POLICY of Qualification of staff

(Reference # 37 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited should insure to containing the following minimum criteria for appointment of staff in the compliance department:

- a. Education
- b. Experience
- c. Professional qualification

Furthermore, the Regular trainings should be organized by the compliance department officer.

Compliance Officer shall encourage to employees of company to attend various workshops and training session from CDC/PSX/SECP and NCCPL for new changes in relevant regulations and environment.

POLICY of Compliance plan / scope and monitoring mechanism

(Reference # 38 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited should have compliance department scope/policy/plan/manual, approved by the Board of Directors which should contain the following particulars at a minimum:

- Frequency of monitoring
- Scope of work including compliance with all applicable regulatory requirements
- Areas for monitoring
- Thresholds for monitoring
- Risk assessments
- Reporting of exceptions to Audit Committee/ BOD
- Laws and regulations checklists covering all regulatory requirements
- Roles and responsibilities of the compliance department
- Basic process flow for conducting periodic reviews

Each year, compliance department officer shall review the scope in the light of new/amended laws and regulations and then make recommendations to the Audit Committee/ BOD for the final approval.

At regular intervals, Compliance department personnel should observe/check the compliances as per the approved scope and then report shall be prepared which is reviewed and approved by compliance officer who will present the same in the Audit Committee/ BOD. The Audit Committee/ BOD shall then decide the course of actions.

POLICY of Internal Code of Practice

(Reference # 40 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited should insure to Internal code of practice that its board, directors, employees and agents are acting in interest of the customer, the integrity of the market and are in compliance of the Securities Act, 2015, Securities Brokers (Licensing and Operations) Regulations, 2016 and any other applicable laws, guidelines, directives, circulars etc.

POLICY of Risk Assessment Process

(Reference # 41 from Guidelines for Internal Control System and Compliance Function for Securities Brokers)

Dr.Arslan Razaque Securities (Pvt) Limited should insure to identifying, estimating the significance of the risks, assessing the likelihood of their occurrence, and determining actions to address those risks should be in place. The accounting department should have processes to identify significant changes in the financial reporting framework.

<u>POLICY of Development and implementation of policies and procedures</u>

<i>(Reference # 42 from Guidelines for Internal Control System and Compliance Function for</i>
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Securities Brokers)

A comprehensive policies and procedures should be developed by the Board of Directors or executive committee of the Board for all key areas of operations. These policies and procedures should be periodically updated.

Implementation of Policies : The all policies shall be develop and approved by the Board of Directors or executive committee of the Board for all key areas of operations under applicable Rules and regulations of PSX/SECP.

- Dr.Arslan Razaque Securities (Pvt) Limited should always insure policies all active in response of made new enactment of Laws.
- Once the policy is developed and approved by the Board, it should be visible to and clearly understood by the all relevant employees of Dr.ArslanRazaque Securities (Pvt) Limited. The cauterized hard drive and location is to be share to all employees to read and understand.
- Dr. Arslan Razaque Securities (Pvt) Limited should have a review mechanism for reporting compliance with established policies and procedures.
- Internal audit department should cover the area of implementation of policies and procedures
- Dr.Arslan Razaque Securities (Pvt) Limited should insure process for assessment of the effectiveness of established policies, and procedures on regular basis. The evaluation should consider the results of established policies, changes in market time to time.