

S.D Mirza Securities (Pvt) Ltd.

Policy and Procedures

INTRODUCTION

Policies and procedures are a set of documents that describe an organization's policies for operation and the procedures necessary to fulfill the policies. They are often initiated because of some external requirement, such as governmental regulations. Policies and procedures have many names including but not limited to business policies and procedures, standard operating procedures or SOP, or department operating procedures or DOP.

Need For Policies & Procedures

There are four very basic reasons that necessitate writing policies and procedures

- Operational needs - Policies and procedures ensure that fundamental organizational processes are performed in a consistent way that meets the organization's needs.
- Risk management - Established policies and procedures creates environment that ensures control activity needed to manage risk.
- Continuous improvement - Procedures can improve processes by implementing a Plan-Do-Check-Act approach by building important internal communication practices.
- Compliance - Well-defined and documented processes (i.e. procedures, training materials) along with records that demonstrate process capability can demonstrate an effective internal control system compliant with regulations and standards. All employees of the Company are required to follow the policy and any directions given there under. This Policy and Procedure is a standard document and subject to change or amends time to time as per change in rules & regulation of the SECP/ Exchange/ any other Government Authority. S.D Mirza Securities (Pvt) Ltd. has reserved rights to implement, amended policy and procedure without amending this documented policy.

1. CLIENT REGISTRATION

- 1.1 Acceptance of Clients
- 1.2 Registration of Clients
- 1.3 Maintenance of Client Registration Document

2. ORDER AND TRADE MANAGEMENT

- 2.1 Client Orders
- 2.2 Confirmation
- 2.3 Trading by Employees

3. SETTLEMENT OF FUNDS AND SECURITIES

- 3.1 Fund Settlement
- 3.2 Securities Settlement
- 3.3 Close Out

4. SEGREGATION OF CLIENT'S ASSETS

- 4.1 Bank Accounts
- 4.2 CDC Sub-Accounts
- 4.3 Collateral Account

5. PERIODIC STATEMENTS

- 5.1 Ledger Statement
- 5.2 CDC Statement
- 5.3 Capital Gains Tax Statement

6. CLOSURE OF CLIENT ACCOUNT

- 6.1 Closing conditions
- 6.2 After Closing of Client Account

7. RISK MANAGEMENT

- 7.1 Margin Collection
- 7.2 Monitoring Balances
- 7.3 Exposure to the clients
- 7.4 Policy of square off position

8. INVESTOR REDRESSAL MECHANISM

- 8.1 Investor Grievance Register
- 8.2 Investor Complaint Mechanism

9. BRANCH OFFICES

Policy and Procedures

1. CLIENT REGISTRATION

1.1 Acceptance of Clients:

1.1.1 S.D Mirza Securities Pvt. Ltd accepts new clients after proper background checking of the clients.

1.1.2 S.D Mirza Securities Pvt. Ltd only accepts those clients who have proper reference viz. Director, Existing Clients, Employees or any other reputed person.

1.2 Registration of Clients:

1.2.1. Clients have to properly fill & sign the Standardized Account Opening Form (SAOF).

1.2.2. Clients have to provide required documents viz. Copy of Computerized National Identity Card (CNIC), Proof of address and Bank Verification etc. with SAOF or any other document that the SECP / Exchange requires from time to time.

1.2.3. We give emphasis on assessing financial capability of the clients, so we may collect following documents along with SAOF:

a) Copy Income Tax Return, Copy of Bank statement, Copy of Salary Certificate etc. from Individual Clients

b) Copy of Income tax Return for last two years, Copy of Audited Annual Report includes Profit & Loss Account and Balance Sheets of last two years, Net worth Certificate etc. from Non – Individual clients.

1.2.5 Documents acceptance and verification:

After receiving the properly filled and signed SAOF along with required documents from clients,

A) Our designated employee:

i) checks it properly

ii) verifies the supporting documents with originals

iii) Verifies the client identity personally (in person verification)

iv) Reports to the Compliance Officer

B) Compliance Officer approves the verified SAOF and documents and ensures that:

i) Back office executive creates a trading code through the Back office software

ii) National Clearing Company Ltd. (NCCPL) operator feeds the details in NCCPL system and creates a new Unique Identification Number (UIN) of the client.

iii) Central Depository Company (CDC) operator creates a CDC Sub-Account for the respective client.

iv) The UIN of the client is tagged with the respective CDC Sub-Account

v) Trading Manager to provides exposure limits to new client as per company policy.

v) Inform traders about registration of new client.

1.2.6 After opening of the clients account, Compliance Officer sends a welcome letter via:

i) Hand delivers to the client.

ii) Courier at correspondence address mentioned in Clients SAOF.

iii) Email to the email address mentioned in the SAOF.

1.2.7 Compliance Officer keeps Proof of delivery in safe custody.

1.3 Maintenance of Client Registration Documents:

Client documents are kept in safe custody at Registered Head office.

2. ORDER & TRADE MANAGEMENT

2.1 Client Orders

2.1.1 Dealers have authority to feed order in the trading terminals after receiving the order from the clients.

2.1.2 All orders received via telephone (landline) communication are routed through the recorded telephone lines.

2.1.3 A reliable, secure and efficient Telephone recording System is installed at all offices of S.D Mirza Securities (Pvt) Ltd.

2.1.4 The Telephone recording is retained for a minimum period of six months. The recording is kept in the Head Office under the custody of the Compliance Officer.

2.1.5 The Trading System generated daily activity log is maintained.

2.2 Confirmation

2.2.1 After execution of orders, dealers call back to clients on their known telephone/mobile for confirmation of trade.

2.2.2 The Confirmation of orders is transmitted to the clients, in the form of Copy of the Account Ledger, within 24 hours of execution of client order.

2.3 Trading by Employees

2.3.1 All employees who wish to trade take prior approval from the Management.

2.3.2 All employees have been registered in the UIN database.

3. SETTLEMENT OF FUNDS & SECURITIES

3.1 Fund Settlement

3.1.1 S.D MIRZA SECURITIES (PVT) LTD. discourages receiving/ paying in cash above the amount of Rs. 25,000/- except in exceptional circumstances. In such a case, the client has to request in writing, stating the exact purpose/reason for the receiving/paying in cash.

3.1.2. S.D MIRZA SECURITIES (PVT) LTD. makes/ receives payment by cheque or pay order or any crossed banking instrument.

3.1.3 All payments made / received from clients are recorded in the respective account ledger in a timely & proper manner.

3.1.4 In Capital Market Segment, S.D MIRZA SECURITIES (PVT) LTD. settles account on T+2 day.

3.1.5 S.D MIRZA SECURITIES (PVT) LTD. makes Full payment of fund within one working day of receiving the specific instruction from clients.

3.1.6 S.D MIRZA SECURITIES (PVT) LTD. collects Full payment of fund from the respective clients before Paying of the exchange.

3.1.7 In Futures Market Segment, S.D MIRZA SECURITIES (PVT) LTD. settles account as per the schedule issued by the Exchange.

3.1.8 S.D MIRZA SECURITIES (PVT) LTD. collects Full payment of Mark to Market loss from the respective clients before Pay in of the respective exchange.

3.2 Securities Settlement

3.2.1 S.D MIRZA SECURITIES (PVT) LTD. transfers securities on the settlement day of the executed trade, directly into the Sub-Account of the respective client.

3.2.2 S.D MIRZA SECURITIES (PVT) LTD. transfers securities on the settlement day of the executed trade, directly from the Sub-Account of the respective client.

3.2.3 The securities are transferred from the sub-account only as per specific instruction received from clients.

3.2.2 S.D MIRZA SECURITIES (PVT) LTD. collects securities from the respective clients before settlement of the respective exchange.

3.3 Close Out

3.3.1 In case a client purchases shares and fails to make full payment before the settlement day, S.D MIRZA SECURITIES (PVT) LTD. reserves the right to sell the shares unless client has an equivalent or excess amount of shares deposited as margin.

3.3.2 In case a client sells shares and fails to deliver the same before the delivery day, Buy In are done as per exchange rules for recovery of shares. Loss on transaction, if any, is met by the client.

4. SEGREGATION OF CLIENT'S ASSETS

S.D MIRZA SECURITIES (PVT) LTD. keeps the assets belonging to the clients separated from the its own assets.

4.1 Bank Accounts

The funds of clients are kept in a separate Bank account with word "Clients" in the title.

4.2 CDC Sub-Accounts

The Shares deposited / bought by the clients are kept in their respective Central Depository Company (CDC) Sub-Account.

4.3 Collateral Account

S.D MIRZA SECURITIES (PVT) LTD. may maintain a Collateral Account under its Participant Account in CDS.

5. PERIODIC STATEMENTS

5.1. Ledger Statement

S.D MIRZA SECURITIES (PVT) LTD. sends Ledger Statement of accounts (with error reporting clause) to all the clients within 24 hours of a trading activity:

- a) by hand OR,
- b) by courier OR,
- c) by E-mail

5.2 CDC Statement

S.D MIRZA SECURITIES (PVT) LTD. sends CDC Account Balance statement with periodicity not exceeding three months:

- a) by hand OR,
- b) by courier OR,
- c) by E-mail

5.3 Capital Gains Tax Statement

S.D MIRZA SECURITIES (PVT) LTD. delivers Annual Capital Gains Tax (CGT)Statement, as deducted by the NCCPL, to the respective clients:

- a) by hand OR,
- b) by courier OR,
- c) by E-mail

S.D MIRZA SECURITIES (PVT) LTD. maintains Proof of delivery of Ledger Statement of accounts, CDC Account Balance statement and Annual Capital Gains Tax (CGT)Statement at its registered office.

6. CLOSURE OF CLIENT ACCOUNT

6.1. Closing Conditions

Client Accounts are closed under following conditions:

- i) On receipt of the specific request from the client to close the account.
- ii) On account of breach of terms and conditions of the agreement by the client.
- iii) On account of any action taken by SECP / Stock Exchanges / any other authority against the clients or its partners/ promoters/ directors/ authorized persons.

6.2 After Closing of Client Account

5.2.1 After closing of account S.D MIRZA SECURITIES (PVT) LTD. returns clients asset viz. Ledger balance, Securities etc. if any, within one month of closing the account.

5.2.2 If Payment is due from the client, then any assets such as Securities, FDR, Bank Guarantee etc. will be returned after realization of the outstanding payment.

7. RISK MANAGEMENT

S.D Mirza Securities (Pvt) Ltd. have a prudent system of risk management to protect itself from clients default. The risk management policy is framed in view of margin requirement of the stock exchanges.

7.1. Margin Collection

7.1.1 S.D MIRZA SECURITIES (PVT) LTD compulsorily collects margin from the clients. The Management decides on the percentage of collecting margin on client to client basis.

7.1.2 In Future & Option and Derivative segment of the market S.D MIRZA SECURITIES (PVT) LTD. ensures strict margin collection from the clients before placing any order on behalf of them.

7.1.3 Margin is collected in the form of crossed banking transaction and/or eligible securities applying appropriate hair cut and other assets, as permitted by the Exchange.

7.2 Monitoring Balances

Branch Head and Compliance Officer regularly monitor debit balances of clients. They do age analysis of payment outstanding from the clients on monthly basis and categories them as

- i) High risk
- ii) Medium Risk
- iii) Low Risk.

High Risk Clients - Those clients whose outstanding dues remain more than 30 days S.D MIRZA SECURITIES (PVT) LTD. puts them into high risk category and efforts are made to realize the money at the earliest. Such clients are put under watch for further transactions.

Medium Risk Clients - Those clients whose outstanding dues remain more than 15 days but less than 30 days, S.D Mirza SecuritiesPvt. Ltd. puts them into medium risk category. And efforts are made to realize the money at the earliest.

Low Risk Clients - Those clients whose outstanding dues remain more than 7 days but less than 15 days, S.D Mirza SecuritiesPvt. Ltd. puts them into low risk category.

7.3. Exposure to the clients

7.3.1. In Ready market segment Clients exposure limit varies from client to clients . Management decides on Exposure limits to the clients.

7.3.2. In Future & option and derivative segment, the clients exposure limit depend on margin receipts from clients.

7.4. Policy of square off position

7.4.1. The Clients are made aware of the fact that their position would be squared off in case of margin/shares delivery default, in writing at the time of opening of client account.

7.4.2. At the time of default the clients are further informed about the square off of trades over phone or in writing before square off of positions.

7.4.3. Dealers reminds the client on a daily basis regarding the margin / shares delivery requirement and also gives final call before square off of trades.

8. INVESTOR REDRESSAL MECHANISM

8.1 Investor Grievances Register

Investor grievances register is maintained centrally at Head Office.

8.2 Investor Complaint Mechanism

Investor complaint mechanism of the Exchange is displayed at a prominent place in all the offices of S.D Mirza Securities (Pvt) Ltd.

9. BRANCH OFFICES

9.1 S.D Mirza Securities (Pvt) Ltd. has obtained certificate of registration for all its branches from the SECP.

9.2 S.D MIRZA SECURITIES (PVT) LTD. intimates exchange about opening of new branch.

9.3 S.D Mirza Securities (Pvt) Ltd. appoints an SECP approved accredited agent as the branch head for every branch, who is responsible for activity at branch office. The Certificate of Registration is being approved every year.

9.4 The Certificate of registration of the Agent is displayed in the branch offices

9.5 S.D Mirza Securities (Pvt) Ltd. informs Branch Head and other Branch employees about policies and procedures of the company.

9.6 A notice board, as per format provided by the exchange, is displayed at every branch.

9.7 Compliance Officer monitors day to day activity of branches.

9.8 S.D Mirza Securities (Pvt) Ltd. maintains all the Data of the Branch office at the Head Office.

9.9 In case of closing of branch, clients are informed one month prior to closing of branch.