Rahat Securities Limited (RSL)

Guidelines for Customer Dealing

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1. Introduction

Rahat Securities Limited (RSL) has certain obligations towards its customers in accordance with the provisions of Securities Act, 2015 read with Securities and Exchange Regulations, 2016 and as per the guidelines frequently issued by Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX). These guidelines - Guidelines for Customer Dealing - broadly define those obligations.

2. Disclosure of financial risks to customers:

1. RSL shall not commence business with a customer unless it has provided the customer   
 with a risk disclosure document in accordance with the specimen provided by the SECP,   
 containing the basic risks involved in trading in securities including explanation of the   
 following:

a. Risk of higher volatility, which may affect the complete or partial execution of an   
 order and the price at which it may be executed;

b. Risk of lower liquidity;

c. Speculative trading;

d. Risk of wider spread;

e. Price fluctuations due to corporate announcements;

f. Systemic risk; and

g. Specific risk of trading in leverage markets etc;

2. RSL shall obtain a written acknowledgement duly signed and dated by the customer   
 confirming that such customer has understood the nature and contents of the risk   
 disclosure document.

3. Conflict of interest

1. RSL shall take all reasonable steps including framing of appropriate policies and   
 procedures to minimize conflict of interest between RSL and its customers.

2. Where any conflict of interest arises between RSL and its customer, RSL shall   
 immediately inform the customer through verifiable means and not gain any direct or   
 indirect advantage from the situation and shall act in the best interest of the customer.

3. RSL must take reasonable steps to ensure that neither RSL nor any of its employees   
 or accredited representatives either offers or gives or solicits or accepts, any inducement   
 that is likely to conflict with any duties owed to the customer.

4. RSL shall put in place a mechanism and take steps to avoid and eliminate the

misalignment of incentives due to conflict of interest between compensation of senior   
management officers, employees and accredited representatives of RSL and interest of   
the customers.

5. RSL shall disclose the names of such persons to its customers who are working as its

accredited representatives.

6. RSL shall put in place a mechanism to resolve any conflict of interest that may arise in

the conduct of business and take all reasonable steps to resolve all conflict of interest in an equitable manner.

7. Where RSL has a material interest in a transaction to be entered into with or for a

customer or a relationship which gives rise to a conflict of interest in relation to such a transaction, RSL shall not knowingly either advise, or deal in the exercise of discretion, in relation to that transaction unless RSL has:

a. Disclosed that material interest or relationship, as the case may be, to the   
 customer;

b. Take reasonable steps to ensure that neither the material interest nor the   
 relationship adversely affects the interest of the customer;

8. RSL shall make appropriate disclosure to customers of possible source or potential

areas of conflict of interest which could impair its ability to render fair, objectives and unbiased service.

9. In case of any breach of policies by its employees and accredited representatives, RSL

shall promptly investigate, and take appropriate action against the person responsible.

4. Duties and obligations of RSL to its customers:

1. RSL shall:

a. Ensure fair treatment of its customers, not discriminate amongst them, and treat   
 customers’ instructions and orders in due turn;

b. Exercise due care and diligence while handling unsubstantiated market information   
 or non-public price sensitive information;

c. Take reasonable steps to ensure that any agreement, written communication,   
 notification or information that RSL gives or sends to customers to whom the   
 services are to be provided or are being provided is presented fairly and clearly and   
 adequate details regarding the services to be provided by the securities broker are   
 covered therein;

d. Establish an internal code of practice aimed at ensuring that members of the   
 board, directors, employees and accredited representatives act in accordance with   
 the best interests of its customers, the integrity of the market and are in   
 compliance of the Securities Act, 2015 read with Securities Brokers (Licensing and   
 Operations) Regulations 2016 and any other applicable laws, guidelines, directives,   
 circulars etc;

e. Frame policies and procedures to ensure compliance with regulatory requirements   
 governing prohibition of insider dealing and market abuse;

f. Ensure that ‘Know Your Customer’ and ‘Customer Due Diligence’ is being

conducted properly in accordance with the relevant

regulations/guidelines/circulars etc issued by SECP from time to time;

g. Ensure that the credit worthiness of RSL’s customers is evaluated through a   
 proper credit risk assessment methodology and trading limits are assigned to each   
 customer beyond which the customer shall not be allowed to take a position;

2. RSL shall not:

a. Encourage sale or purchase of securities on account of a customer with the sole   
 objective of generating commission or any other financial benefit;

b. Have an incentive structure that encourages dealing in securities not suiting the   
 risk profile of its customers;

c. Deal or transact business directly or indirectly or execute an order for a customer   
 where the name of such customer is appearing on the list of delinquent customers   
 maintained by the SECP;

d. Accept any money from a customer on a promise of predetermined or guaranteed   
 return;

5. Establishment of relationship with customer

1. RSL shall not commence business with a customer unless it has entered into an

agreement with the customer, obtained acknowledgement of risk disclosure document, opened an account in the customer’s name and completed all other requirements as may be specified by the SECP, clearing house or a central depository;

2. RSL shall take reasonable steps to ensure that the identity, address and contact details

of its customers are known and verified;

3. RSL shall ensure that the information contained in the account opening form is

updated, complete and correct and shall ensure that the mobile number and/or the email address of the customer is registered in the central depository’s and clearing company’s record as per the regulations of the central depository and the clearing company;

4. RSL shall ensure maintenance of only true and correct information/particulars of its

customers in the system and its records, and shall not change any detail provided by the   
customer and shall keep the record of such changes along-with necessary documentary   
evidence;

5. RSL shall hold in possession copies of documentation regarding the identity of

customer and the identity of any representative of the customer;

6. RSL must take reasonable care in evaluating that the customer has sufficient financial

resources to settle the transactions the customer wishes to enter into;

6. Customers’ rights

1. RSL shall not, in any written communication or agreement, seek to exclude or restrict:

a. Any duty or liability to a customer, which such customer has under any law or   
 under any regulation made by SECP;

b. Any other duty to act with skill, care and diligence that is owed to a customer in   
 connection with the provisions of service as a securities broker; and

c. Any liability owed to a customer for failing to exercise the degree of skill, care and   
 diligence that may reasonably be expected of RSL is the provision of the service   
 of a regulated securities activity;

7. Execution of customer orders

2. RSL shall not deal in securities on account of a customer without instruction of such   
 customer;

3. RSL shall take reasonable measures to execute the orders placed by the customer on   
 the most advantageous terms as practical in the prevailing market conditions and RSL   
 shall ensure that the use of negotiated deals market is properly justified;

4. RSL shall always give priority to customer orders;

5. All orders to buy or sell securities, which RSL may receive shall be entered, in the   
 chronological order, in a register to be maintained in a form which shows the name,   
 trading code and UIN of the person who placed the order, the name and number of   
 securities to be bought or sold, the nature of the transaction and the limitation, if any, as   
 to the price of the securities or the period for which the order is to be valid.

6. The chronological register to be maintained under Point # 05 above may be maintained in   
 electronic form including the logs generated from the system and telephone recording.

8. Order recording

1. RSL shall ensure that all orders placed by customers through telephone lines are   
 recorded over dedicated telephone lines and ensure that:

a. All telephone lines to be used by its employees and accredited representatives who   
 are responsible for taking and confirming orders, executing contracts, transferring   
 funds, or carrying out instructions incidental thereto, shall be routed through a   
 centralized call recording system; and

b. All lines of communication are regularly tested to ensure ongoing proper   
 functioning;

2. RSL shall ensure that it has preserved all records pertaining to all orders received from   
 customers in writing or through any other document, fax, email, or through any other   
 means;

9. Recorded Telephone Lines, emails, SMS etc

Preventing, detecting and deterring market abuse is one of RSL’s key priorities. Good quality recordings of voice conversations and of electronic communications (email, SMS etc) may help RSL to detect and deter market abuse. Customer disputes usually begin with a miscommunication when there is no easy way to prove who is right. For this reason, and to comply with regulatory requirement RSL

1. Clients’ orders received and/or confirmed via telephonic [landline] communications must   
 be recorded in the manner specified by the Exchange;

2. Where Clients’ orders are not received and/or confirmed via telephonic [landline]

communications, the same can be received on official RSL email account only;

3. Adequate compliance monitoring is exercised over the office staff that is responsible for   
 recording the telephone order instructions;

4. Telephone recordings are being retained for a minimum period of six months or any other   
 period specified by the Exchange and/or Commission;

5. Further, in case of any complaint lodged by an Investor, the Broker has retained the record   
 of such Investor till the resolution of the complaint;

6. All telephone lines under use of the traders, agents, dealers and authorized persons who   
 are involved in trading, are connected to the telephone recording system of the Broker;

7. During trading time, no trader is allowed to use mobile phones in order to make the   
 transaction of the Client transparent and confidential;

10. Segregation of customer money

1. Customer money shall not form part of the assets of RSL for any purpose and shall not   
 be available in any circumstances for payment of any debt or liability of securities broker;

2. RSL shall not use customer money for any purpose other than as allowed under   
 Securities Act, 2015 or any rule or regulations made there-under;

3. Where RSL receives or holds customer money, it shall open one or more designated   
 bank accounts with a scheduled bank in Pakistan for such purpose and the title of the   
 account shall reflect the same;

4 The funds of clients are kept in a separate Bank account with word “Client” in the title.

5. RSL shall forthwith deposit into a designated bank account for the customers all   
 customer money coming into RSL’s hands from its customer;

6. RSL shall keep records of:

a. All amount deposited into 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 designated bank account(s), the dates of those payments and   
 the names of the customers on whose behalf the payments are made; and

c. Such other particulars as may be specified by SECP;

7. No amount from customer bank account(s) shall be withdrawn in cash and all payments   
 shall be made through cross cheques or other banking channels and where payment is   
 made through cross cheques, RSL shall keep copy of the cheques issued for the   
 purposes of record;

11. Accounting for and use of customer money

1. RSL shall properly account for customer money and ensure that:

a. Customer money is not mixed with other money;

b. RSL can at all times calculate how much customer money stands to the credit of   
 each customer; and

c. Money belonging to one customer is not used for another customer;

2. RSL shall not withdraw money received and deposited in the designated bank account   
 otherwise than for the purpose of:

a. Making a payment to a person entitled to the money;

b. Meeting obligations emanating from dealing in securities effected by RSL on   
 the instruction of a customer;

c. Defraying brokerage and other charges or levies incurred in respect of dealing in   
 securities effected by RSL on the instruction of a customer;

d. Making a payment that is otherwise authorized by law;

12. Segregation of other customer assets

1. All customer assets (other than customer money) held or received by RSL on account   
 of a customer in connection with any trading in securities shall be segregated and   
 separately accounted for:

2. RSL shall at all times keep such books as is necessary;

a. To show all handling of a customer’s assets including relevant dates; and

b. To distinguish such customer assets held or received by it on account of each   
 separate customer and to distinguish such customer assets from its own assets and   
 other assets held or received by RSL;

3. RSL shall maintain a separate sub-account under its participant account in the CDS for   
 each of its customers to maintain the custody of all securities belonging to the customer   
 including margin deposited by the customer;

4. A complete audit trail of the transactions pertaining to customer’s assets is to be   
 maintained by RSL;

13. Periodic reporting to the customer

1. RSL shall, on quarterly basis or any other periodic basis as may be specified by the   
 securities exchange and/or the SECP, furnish to the customer reports containing   
 information regarding handling of securities, receipts and payments and the holding   
 balance of customer’s assets;

2. RSL shall promptly provide to a customer any report or information pertaining to the   
 account of such customer as and when requested by the customer;

14. Annexure # 01: Risk Disclosure Document

1. Sample ‘Risk Disclosure Document’ provided by PSX vide its Notice, PSX/N-5231 dated Sep 23, 2016 is attached with Standard Account Opening Form;