

SAL SAL SECURITIES (PVT) LTD.

Annexure A

TREC HOLDER PAKISTAN STOCK EXCHANGE LTD.

20-MAY-17

Internal Control Policy & Procedure

1. CLIENT REGISTRTRION

1.1 SAL SECURITIES (PVT) LTD accepts those clients who have proper reference viz., Director, Existing Clients, Employee or any other reputed person. However walk in clients are also entertained subject to provision of complete documents by the respective clients.

1.2 Potential clients have to make a request to open an account by filling in and signing the SECP/CDC Standardized Account Opening Form (SAOF) and SAL SECURITIES (PVT) LTD's own account opening form, which will include KYC-CDD and any other Form deemed necessary from time to time.

1.3 Clients must provide all the required documents which are mentioned in the forms.

1.4 E-mail is a must to open any account with SAL SECURITIES (PVT) LTD.

1.5 In case of Branch Office, Branch Manager checks the form, verifies the supporting documents, and also verifies the client's identity personally by seeing his original CNIC. He then sends the forms to the CDC Department at the Head Office of SAL SECURITIES (PVT) LTD. (Presently we do not have any Branch Office)

1.6 Compliance Office approves the verified SAOF along with documents and ensure that:

- i. Back office executive creates a trading code through the Back office software.
- ii. National Clearing Company Limited (NCCPL) operator feeds the detail in NCCPL system and create 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 provide exposure limits to new client as per company policy.
- vi. Inform Traders about registration of new clients.

1.7 CDC Setup report is generated by CDC Department Official, checked and then delivered to the client.

1.9 The client is required to sign the Setup report and acknowledge it by signing the Setup report and returning it to the CDC Department, this then becomes part of the form.

1.10 Once this Setup report is received then the account will be operational

1.10 All Clients' documents will be kept in safe custody at the Head Office of SAL SECURITIES (PVT) LTD or at any other safe location deemed fit for such safe keeping by the management of SAL SECURITIES (PVT) LTD.

Correspondence/Contract Notes Relating to the Transactions are
"SUBJECT TO THE RULES OF EXCHANGE"

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1.13 Client account is closed either by client instruction or action initiated by the SAL SECURITIES (PVT) LTD. On receipt of written request from the client, the Compliance Officer deactivates the client code in the front & back office.

2.1 Client Orders

2.1.1 KATS Operators have authority to feed orders in the trading terminals after receiving the orders from respective client either in writing by the client when he is physical present in the office or through Telephone.

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

2.1.3. A reliable security and efficient Telephone Recording System is installed at office of SAL 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 Compliance Officer.

2.1.5. The Trading system generated daily activity log is maintained.

2.2 Confirmation

2.2.1 The confirmation of order executed transmitted through email or sent through UPC (where applicable) and uploaded on the SAL SECURITIES (PVT) LTD within 24 hours of execution of client order.

3. SETTLEMENT OF FUNDS AND SECURITIES

3.1 PAYMENT & RECEIPT POLICY

The Company follows centralized system of accounting and as such all financial instruments / documents relating to the clients are issued from Head Office.

3.1.1 SAL SECURITIES (PVT) LTD discourages receiving cash above the amount of Rs.25,000 except in exceptional circumstances. In such a case, it is reported to the PSX and reasons/justification for receiving cash are provided.

3.1.2. All payment made by the SAL SECURITIES (PVT) LTD are through crossed cheques and in the name of client as mentioned in the SAOF (Title Account).

3.1.3 The SAL SECURITIES (PVT) LTD receives payment by cheques or pay order or any crossed bank instruments.

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

3.1.5 In capital Market SAL SECURITIES (PVT) LTD settles trade as per PSX Schedule.

3.1.6 SAL SECURITIES (PVT) LTD makes payment of funds within two working day of receiving the specific instruction from client. .

3.1.7 Client who have debit balance in one segment and credit balance in other segment will be paid only if their net balance is credit.

3.1.8. Clients are advised not to deposit any cash/cheque directly to the company's bank account. If cheque deposited then intimation must be given in writing along with pay-in slips otherwise credit will not be given to the client till proper document are received from clients.

3.2 SETTLEMENT OF SECURITY

3.2.1 SAL SECURITIES (PVT) LTD Back Office reflects share custody based on trade date. However, share will be available in CDC based system on its settlement cycle.

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

3.2.3 SAL SECURITIES (PVT) LTD collects securities from the respective clients before placing sell orders on exchange.

3.2.4 The securities will remain in the client's sub account and will only be moved to his CDC Investor account or his CDC sub account with another broker at his specific instructions. The client may give SAL SECURITIES (PVT) LTD standing instructions or through our specific form.

3.3 SQUARE UP POSITION

3.3.1 In case a client purchases shares and fails to make full payment before the settlement day, SAL 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 settlement day, Buy in are done as per exchange rules for recovery of shares. Loss on transaction, if any, will be met by the client.

RISK MANAGEMENT

SAL 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 standing requirement of the stock exchange.

4.1 Margin Collection

4.1.1 SAL SECURITIES (PVT) LTD compulsorily collects margins from the clients. The Management decided percentage of collecting margin on client to client basis.

4.1.2 In Future & Derivative segment of the market SAL SECURITIES (PVT) LTD ensures strict margin collection from the clients before placing any order on behalf of them.

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

4.1.4 SAL SECURITIES (PVT) LTD may demand extra margin as and when desired.

4.1.5 SAL SECURITIES (PVT) LTD may increase or decrease the haircut levels on any of the margin eligible securities.

4.2 Exposure to the Clients

4.2.1 In ready market segment clients exposure limit varies from client to client. Management decides on exposure limits to client to client basis however minimum margin is maintained at least 50%.

4.2.1 At the time of opening of client account, the clients are made aware of the fact that their positions would be squared off in case of margin / shares delivery default.

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

4.2.3 KATS operators remind the client on a daily basis regarding the margin / shares delivery requirement and also gives final call before square off the trading.

4.3 Backup

Back up of accounting system will be kept in separate USB or in separate PC up to appropriate period defined by PSX and SECP. Compliance Officer will review it on monthly basis.

4.5 Testing of contingency:

Contingency plan will be tested on regular basis through mock sessions

SAL Securities (Pvt) Ltd