

Progressive Securities (Pvt.) Limited (PSPL)

Guidelines for Customer Dealing

Index

1. Introduction
2. Disclosure of financial risks to customers:
3. Conflict of interest
4. Duties and obligations of PSPL to its customers:
5. Establishment of relationship with customer
6. Customers' rights
7. Execution of customer orders
8. Order recording
9. Recorded Telephone Lines, emails, SMS etc
10. Segregation of customer money
11. Accounting for and use of customer money
12. Segregation of other customer assets
13. Periodic reporting to the customer
14. Annexure # 01: Risk Disclosure Document

1. Introduction

Progressive Securities (Pvt.) Limited (PSPL) 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. PSPL 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. PSPL 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. PSPL shall take all reasonable steps including framing of appropriate policies and procedures to minimize conflict of interest between PSPL and its customers.
2. Where any conflict of interest arises between PSPL and its customer, PSPL 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. PSPL must take reasonable steps to ensure that neither PSPL 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. PSPL 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 PSPL and interest of the customers.
5. PSPL shall disclose the names of such persons to its customers who are working as its accredited representatives.
6. PSPL 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 PSPL 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, PSPL shall not knowingly either advise, or deal in the exercise of discretion, in relation to that transaction unless PSPL 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. PSPL 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, PSPL shall promptly investigate, and take appropriate action against the person responsible.

4. Duties and obligations of PSPL to its customers:

1. PSPL 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 PSPL 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 PSPL'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. PSPL 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. PSPL 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. PSPL shall take reasonable steps to ensure that the identity, address and contact details of its customers are known and verified;
3. PSPL 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. PSPL 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. PSPL shall hold in possession copies of documentation regarding the identity of customer and the identity of any representative of the customer;
6. PSPL 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. PSPL 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 PSPL is the provision of the service of a regulated securities activity;

7. Execution of customer orders

2. PSPL shall not deal in securities on account of a customer without instruction of such customer;
3. PSPL 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 PSPL shall ensure that the use of negotiated deals market is properly justified;
4. PSPL shall always give priority to customer orders;
5. All orders to buy or sell securities, which PSPL 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. PSPL 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. PSPL 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 PSPL's key priorities. Good quality recordings of voice conversations and of electronic communications (email, SMS etc) may help PSPL to detect and deter market abuse. Customer disputes usually begin with miscommunication when there is no easy way to prove who is right. For this reason, and to comply with regulatory requirement PSPL

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 PSPL 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 PSPL for any purpose and shall not be available in any circumstances for payment of any debt or liability of securities broker;
2. PSPL 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 PSPL 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. PSPL shall forthwith deposit into a designated bank account for the customers all customer money coming into PSPL's hands from its customer;
6. PSPL 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, PSPL shall keep copy of the cheques issued for the purposes of record;

11. Accounting for and use of customer money

1. PSPL shall properly account for customer money and ensure that:
 - a. Customer money is not mixed with other money;
 - b. PSPL 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. PSPL 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 PSPL on the instruction of a customer;
 - c. Defraying brokerage and other charges or levies incurred in respect of dealing in securities effected by PSPL 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 PSPL on account of a customer in connection with any trading in securities shall be segregated and separately accounted for:
2. PSPL 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 PSPL;
3. PSPL 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 PSPL;

13. Periodic reporting to the customer

1. PSPL 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. PSPL 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;