

## KP Securities (Pvt) Limited

TREC Holder of Pakistan Stock Exchange

# TRADING POLICY

Effective Date: 1<sup>st</sup> February, 2019

Updated: 3<sup>rd</sup> May 2021

### Purpose:

To establish a policy for monitoring and having internal controls over employees trading in securities including Directors and Proprietary Accounts

### Scope:

Applies to all company employees including Directors & proprietary accounts

### Responsible Party:

Equity Manager & Compliance Officer

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### Policy & Procedures:

1. All employees are strictly instructed that if they are willing to trade in any securities they will only trade through this brokerage house only and cannot open any trading account in any other brokerage house.
2. Employees will get registered into UIN Database with all registration details including their respective designations & update/modify the registration details whenever any change occurs through prescribed procedures.
3. All employees will strictly comply by the following Code of Conduct as mentioned in Annexure-II of Chapter 4 of Rule Book of Pakistan Stock Exchange Limited:

#### **CODE OF CONDUCT FOR TRADING BY EMPLOYEES OF BROKERAGE HOUSES**

- i. Employees of Brokerage Houses desirous of trading must obtain prior written authorization for such activity from the Broker or authorized officer of the Brokerage house on his trading account opening form.
- ii. Employee must submit to the Broker or authorized officer of the Brokerage house, a written undertaking of his understanding and willingness to strictly abide by all the relevant rules, regulations, codes and procedures as prescribed by the Exchange, Clearing Company, Depository Company and the Commission at all times while trading on his own account.

- iii. The provisions of chapter 7 of the PSX Regulations or any other Regulation which may be made from time to time in this regard would be applicable to such trades.
  - iv. All trades on behalf of the employees concerned shall be executed against their own respective UINs and shall be subject to these PSX Regulations.
  - v. Employees must ensure that investment advice given to clients by them does not result in a conflict of interest with their individual trading activities.
  - vi. The employees should not indulge in buying or selling securities of a company for their own account or any account over which they exercise control if they possess non-public information or inside information of that company or information pertaining to any potential trade/deal which may affect the share price of that company. Further, they will not pass any such information to others.
  - vii. The employees should not buy or sell those securities for their own account in which they are aware of clients' proposed trades, trades by the Brokerage house or forthcoming research report regarding such securities.
  - viii. Brokers shall monitor their employees' trades regularly and the Internal Audit Department/Compliance Officer will ensure compliance of these PSX Regulations and any violation shall be communicated to Audit Committee/Chief Executive Officer and shall be submitted to the Exchange and/or the Commission as and when demanded.
  - ix. Adherence by Brokers as well as their employees, in letter and spirit, to this Code of Conduct is mandatory
4. Employees will provide disclosure of any securities held by him/her, his/her spouse and/or dependents along with details of their accounts with a securities broker and such information shall be reported to the compliance officer of the securities broker.
  5. Quarterly disclosure of securities held by employees and accredited representatives & their spouses and dependent children will be reported of actual transactions, including volume, date & price.
  6. Employees are discouraged from frequent short-term trading or trading for speculative purposes and misuse of confidential information.
  7. Any employees including directors shall not trade through another securities broker of the same securities exchange on its own account or on account of customers.
  8. Chief Executive and its family members can only trade through this brokerage house only.

- 9.** Directors and shareholders shall only be allowed to trade through another securities broker of the same securities exchange subject to the fulfillment of conditions below:
- a.** A one-time prior written approval is obtained from the house and such approval is also submitted to Securities Exchange.
  - b.** Where any such director or substantial shareholder buys or sells securities through another securities broker of same securities exchange, he shall notify in writing on the same day the following information to the company secretary:
    - i.** Name of securities Broker through which the transaction is carried out.
    - ii.** Reason(s) for trading through another securities broker
    - iii.** Following details of transactions:
      - 1. The date of transaction
      - 2. The price at which the transaction is executed
      - 3. Type of security traded
      - 4. Number of securities/contracts/units traded
      - 5. Form of security i.e. physical or book-entry form in CDS
      - 6. Nature of transaction i.e. on-exchange or off-exchange transaction
    - iv.** A written record along with a copy of trading account statement issued by the other securities broker be submitted to company secretary within two days of trading
    - v.** Company secretary shall immediately forward the statements to securities exchange.
- 10.** All orders to buy or sell securities that a Director, Agent or an Associated Person may place shall be entered, in the chronological order in an order register (either manual or electronic) and/or order log maintained by telephone recordings be maintained by the Broker in a form which shows the name of the person who placed the order and the time at which the order is received, the name and number of securities to be bought or sold, nature of the transaction clearly indicating in writing a proprietary trade transaction and the limitation, if any, as to the price of the securities or the period for which the order is to be valid.
- 11. MANNER OF TRANSACTIONS OF BROKERS' BUSINESS:**
- a.** A Director, Agent or an Associated Person who has an "At Best" Order from a customer to buy or sell a security shall not, while such order remains unexecuted, engage in Proprietary Trading in such security or trading for the House. Provided, if a Director, Agent or an Associated Person who has his own "At Best" Order to buy or sell a security prior to an order from a customer, the same shall have priority over the "At Best" Order of that customer subject to disclosure of such an order by the Director, Agent or an Associated Person to his customer.
  - b.** A Director, if there is a Limit Order from a customer to buy or sell a security, shall not while such order remains unexecuted, engage in Proprietary Trading involving the sale

or purchase of that security at the limit price or a better price than the limit price specified by the customer for himself or for the House.

**12.** A Director who has an order to buy or sell a security shall not fill such order by engaging in Proprietary Trading for himself or for the House, except when:

- a. the order is a Limit Order:
  - i. he sells the security at a price not exceeding the price at which the transaction immediately preceding the receipt of the order by him actually took place;
  - ii. he buys the security at a price which is not less than the price at which the transaction immediately preceding the receipt of the order by him actually took place; or
  - iii. He trades in the capacity of a Market Maker in accordance with chapter 12 of PSX Regulations pertaining to Market Makers of these Regulations.

**13. NO AGGREGATION OF ORDERS:**

Any order(s) shall not be aggregated with orders for other customers, for a customer or with own account orders.

**14. CONFLICT OF INTEREST AND DISCLOSURE BY BROKERS:**

- a. Any Director shall disclose to the customer(s) placing an order in a particular security, while accepting such order, whether he intends to or is carrying out Proprietary Trading in that security on that particular day.
- b. The House, if doing Proprietary Trading through Agents/traders, shall disclose the name(s) of such persons to the customer(s).

**15. Customer Dealing:**

a. CLIENT FAIR DEALING:

- i. Clients should be dealt fairly at all times. There should be no discrimination between any clients while dealing them. (Discrimination includes preference made between High Net worth Clients or Medium or Low Net worth Clients.)
- ii. Order of placing a Bid or Offer should not be manipulated/discriminated for any clients including directors/officers of the company, and should be placed on first come, first serve basis.
- iii. In case of any query from a client, he/she should be guided properly or else sent to responsible officer for proper guidance.
- iv. "Client is always right" policy should be always followed. Except in cases where the client stance is adversely affecting any of our company's policies or PSX or SECP's guidelines or regulations.

b. ORDER REGISTER MAINTENANCE:

- i. Clients' daily orders are to be maintained on a manual register or be saved from KATs Terminal and printed or saved in a folder on computer on daily basis.
- ii. Register maintenance is to be reviewed by Compliance Officer on weekly basis.

**c. ORDER RECORDING:**

- i. All clients' orders are to be recorded whether on telephone or placed physically present.
- ii. For orders placed on telephone; telephone recorders are to be placed on every telephone receiving clients' orders.
- iii. The records are to be maintained for at least six months.
- iv. For clients' visiting the office for trading; efficacy in placing order should be maintained along with a written acknowledgement on account statement.
- v. Clients' daily trades are to be emailed daily on their registered email addresses at the end of the trade day.

**d. REGULAR TESTING OF CLIENTS:**

Compliance Officer is required to test the recording lines on weekly basis and report to CEO on the next working day in case of any non-compliance regarding recording of telephone lines.

**e. WALK-IN CUSTOMERS:**

- i. All walk-in customers are to be treated fairly.
- ii. Reference must be asked from the walk-in customers. The person who referred then must be contacted for scrutiny of the walk-in client.
- iii. In case there is no reference then, the walk-in client must be scrutinized asking at least the following questions:
  - a. Does he/she have any experience of trading?
  - b. Whether he/she has a trading account with any other house?
  - c. What is his/her source of income?
  - d. What are his/her views about trading & what is his/her usual style of trading?
- iv. Any other verification method is also suggested for inspection of walk-in customers.
- v. If there seems to be no doubt, and proper documentation is available, then the walk-in client account can be opened.

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**Fazal Hussain**  
Chief Executive