

November 8, 2021

Subject: Appointment of Professional Clearing Member (PCM) by Trading Only (TO)

Dear Client,

This is to inform you that SECP had introduced market wide reforms with the promulgation of Securities Broker (Licensing & Operations) Regulations, 2016. The Regulation led to the creation of three classes of Securities Brokers: Trading Only Brokers (TO), Trading & Self Clearing Brokers (T&SC) and Trading and Clearing Brokers (T&C). The Regulation also paved the way for the creation of an entirely new entity by the name of PCM, which specializes in custody of Clients' Assets and settlement of securities. Under the new regime, TOs are required to undertake the role of trading only and all their custody of clients' assets and settlement activities will be handled through the appointment of either a PCM or a T&C.

In line with the new regime, We have appointed M/s **EClear Services Limited (ESL)** as its PCM. Accordingly, ESL shall be managing the custodial and settlement operations with respect to securities and cash for all our customers.

ESL was incorporated on October 8, 2020 under the Companies Act, 2017 to carry out activities as a PCM, as specified in its MOA and in the manner prescribed. ESL has the privilege of being the first institution in Pakistan to be licensed as a PCM by the SECP and shall be responsible for performance of its assigned role. It shall not be doing any brokerage business itself. It will offer institutionalized services and have CDC, NCCPL, PSX, Pak Kuwait Investment Co, as its sponsoring shareholders.

You will receive a letter from ESL shortly that will inform you of the "migration date" and related details in accordance with the Regulations. Please be advised that this arrangement with ESL is essential and it will provide more security to the investors. Like before, we will continue doing the trading on behalf of our clients. As a consequence, the main note able points of this arrangement are explained as under:-

- A. ESL will be writing a letter separately explaining their role and the agreed "migration date" of the clients assets.
- B. If the client does not object to this arrangement within the specified time, then the account will be opened at ESL, for custody of assets and settlement functions, on the basis of the account opening forms signed by our customer. ESL will also open new sub-account under its Participant ID. The client will maintain his/her account with TO for trading purpose.

TREC HOLDER PAKISTAN STOCK EXCHANGE LIMITED

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- C. Each client, with mutual consultation with the TO will be assigned trading limit within which he/she will be placing orders.
- D. The Order Management System (OMS) and Risk Management System (RMS) will be provided by ESL, to monitor the trading activities, within assigned limits.
- E. It is critical that clients keep some cash and share deliveries in their accounts, so that the margin requirements are met and the trading capacity is enhanced.
- F. ESL, in due course, will open new bank accounts, which will be advised accordingly. They will be used for receipt of cheques/online transfers or payment of cheques to clients.
- G. The trading orders will be received by TO, executed as per instructions and asset's custody and settlement functions will be performed by ESL.
- H. The TO will facilitate the clients, for receiving cheques or payment of cheques, if desired, since ESL has an office, in our building.
- I. The client may ask TO or ESL, if any information is required to be updated.
- J. ESL, on behalf of TO, will send trading confirmations, including all the relevant details, like before.
- K. ESL will charge Rs. 1000/- per annum to each client, for extending its services.
- L. ESL will charge KIBOR+10% in case of overdue debit balance in client account and ESL has the right to sell the shares to recover the overdue debit balance.
- M. All the relevant charges Capital Gain Tax (CGT), CDC charges, NCCPL charges, PSX Laga, SECP fee will be charged to client's Account by ESL.
- N. There will be no increase in our commission/ tariff already agreed with clients.

Kindly note that if we do not receive any objection to the new arrangement, being Trading Only broker (TO) and appointment of ESL, for role of clients' custody and settlement, within 10 days, then it will be deemed acceptance and we shall proceed with the required process.

The clients are encouraged to remain in touch with our office continuously, for transition to this new arrangement smoothly. For further information feel free to call Mr.Rao Sajid Ali – Chief Operating Officer.

Regards

Dr. Yasir Mahmood

Chief Executive Officer