

FIRST PARAMOUNT MODARABA (FPM)	CP 101
	Credit Policy
	Prepared By: Chief Financial Officer
	Approved By: Chief Executive Officer
	Effective Date: 13 th March, 2015

All the Modaraba Companies are governed by Sharia Principles & SECP's Prudential Regulations (PRs). They are, therefore, bound to conduct all business transactions in conformity with the Sharia & SECP's PRs.

Considering these fundamental principles, the Credit Policy of the First Islamic Modaraba (FIM) will revolve around the following strategy:

(I) Nature of Business:

- (i) The business in which the Modaraba will invest must be Halal from Sharia point of view.
- (ii) Investment in any Haram Business is strictly prohibited, and its income will be subject to charity.
- (iii) The Investment & its modalities must be cleared by the Sharia Advisor by way of issuing a formal approval to every investment transaction.
- (iv) The Investment has to be Riba free.

(II) Kind of Business:

- (i) The emphasis be given on fully secured Murabaha business against collateral of movable and /or immovable assets & machinery
- (ii) SME Sector of economy will be focused for Murabaha business.
- (iii) Musharika business will also be considered with trusted clients having credible track record of business.
- (iv) Modaraba will also be under taken by FPM, using the expertise, knowledge and experience of skilled individuals in the industry for maximizing the ROI.

(III) Lending Rates:

- (i) The Investment should be made in such a way that IRR should remain within the range of 15% - 20% in all translations.

(IV) Major terms of Morabahah Transaction:

- (i) Murabaha of cars and machinery older than 5 years be avoided. However, re-conditioned imported cars with new Reg. no., may be considered.
- (ii) Sale & Lease back financing be also avoided.
- (iii) All cars & machinery being the subject asset of Murabaha must be insured through takaful.
- (iv) For all Murabaha transaction, the financing must be secured by way of mortgage, pledge, postdated cheques etc.
- (v) The goods must be insured for the period these remain FPM property.
- (vi) The terms of payment of Murabaha should not exceed 5 years.
- (vii) Minimum 10% down payment be taken from the customer in case of Murabaha for cars.
- (viii) As per the PRs, prospective customer should not have availed more than 10 times of equity from financial institutions.
- (ix) No unsecured financing be allowed.
- (x) As per the PRs, FPM shall not allow facilities of any kind to its Modaraba Management Company or to any of its directors or to individuals, firm or companies in which it or any of its directors is interested as partner, director or guarantor, as the case may be, its chief executive and its major shareholders, including their spouses, parents, and children or to firms and companies in which they are interested as partners, directors or major shareholders of that concern.
- (xi) The portfolio be diversified to avoid risk.
- (xii) The D.E. ratio & Current Ratio must be 60:40 & 1:1 respectively as per the PRs.

(V) Security to be obtained:

- (i) For Murabaha of cars, the car will be secured by way of Hire Purchase (H.P) registration.
- (ii) Murabaha finance shall be secured by Registered Charge on Mortgage assets. Financing at maximum shall be done to the extent of the value of security determined at "forced Sales Value" level.

(VI) Credit Limits:

- (i) SECP Prudential Regulation (PRs) must be followed in this regard i.e., per party exposure 30% of the equity & per group 50% of the equity.



- (ii) However, as per the FPM's own policy, the financing per party should not be more than Rs.30 million except in exceptional cases based on party's high Rating & nature of security duly approved by the Board.

(VII) Credit Committee:

- (i) A Credit Committee shall be formed to approve financing cases upto Rs.7.5 million rupees only.
- (ii) Proposal above Rs.7.5 Million will be approved by the Board.

(VIII) Procedure of Credit Approval:

- (i) Upon receiving the proposal, the Credit Officer will ask for the processing and the requisite documents viz., Memorandum & Articles of Association, Facts Sheet, Audited Accounts, Security Detail etc., from the party.
- (ii) Upon receipt of the same, a thorough analysis of these documents will be carried out.
- (iii) Sharia Advisor is to be consulted before proceeding further.
- (iv) E-CIB clearance must be obtained.
- (v) Credit Reports of the party from other creditors must be obtained to assess credibility of the Directors/Co.
- (vi) Client visit shall be made to analyze / verify the financial data produced by the client for determining the credit worthiness and level of operations of the client
- (vii) The party must agree in principle to FPM's terms & conditions before proceeding further.
- (viii) Upon full satisfaction by the Credit Officer & Sharia Advisor, the proposal will be placed before to the Credit Committee for consideration & where needed, onward submission to the Board of Directors.

(IX) Legal Documentation for Financing:

- (i) Product documents like Murabaha agreement & other legal documents are to be legally drafted / vetted by a Lawyer in the light of Sharia & SECP's PRs on SECP's given formats.
- (ii) All sorts of D.P notes, Securities, Guarantees, Board Resolutions etc., are to be taken from the party, & secured under the guidance of the Co., Lawyer & Sharia Advisor.

- (iii) Fee for the legal documentation will be paid by the party.
- (iv) Payment schedule prepared in consultation with the Accounts Deptt., will be the integral part of the main lease/other financing agreements.
- (v) Post dated cheques in case of Murabaha Financing must be ensured.

(X) Disbursement:

- (i) Upon confirmation by the Legal Advisor & the Sharia Advisor that all the agreements/documents are in order, the approved amount will be disbursed through the cheque net of all taxes, duties, advance payments etc.

(XI) Safe Custody of the Agreements/Documents:

Upon disbursements, all the agreements/documents will be photocopied. Photocopy set will go to the respective file while originals to the vault after making entry in a Vault Register duly signed by the Compliance Head & the Vault In-charge jointly.

(XII) Time Period Required:

The total time period required for all this process should not exceed twenty working days from the date of receipt of all documents from the prospective customer.

The Credit Policy will be reviewed from time to time by the Board.



First Paramount Modaraba (FPM)

IT Policy

IT – Policy - First Paramount Modaraba

Dated: 28 April 2015

Presented by: Chief Executive

Approved by: The Board of Directors

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a horizontal line and a small flourish.

Information Technology Policy and Procedure Manual

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Introduction

The First Paramount Modaraba (FPM) IT Policy and Procedure Manual provides the policies and procedures for selection and use of IT within the business which must be followed by all staff. It also provides guidelines FPM will use to administer these policies, with the correct procedure to follow.

FPM will keep all IT policies current and relevant. Therefore, from time to time it will be necessary to modify and amend some sections of the policies and procedures, or to add new procedures.

Any suggestions, recommendations or feedback on the policies and procedures specified in this manual are welcome.

These policies and procedures apply to all employees.

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Dated: 28 April 2015

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Technology Hardware Purchasing Policy

Policy Number: FPM-ITP-001

Policy Date:

Purpose of the Policy

This policy provides guidelines for the purchase of hardware for the business to ensure that all hardware technology for the business is appropriate, value for money and where applicable integrates with other technology for the business. The objective of this policy is to ensure that there is minimum diversity of hardware within the business.

Procedures

Purchase of Hardware

Purchasing desktop computer systems

Desktop computer systems can only be purchased by the authorization of CEO, CFO and IT Consultant.

The desktop computer systems purchased must run a Windows 7 or latest Windows technology which integrates with existing hardware.

The desktop computer systems must be purchased as standard desktop system bundle and must be HP, Dell, Acer, Toshiba, Samsung or similar brands.

The desktop computer system bundle must include:

Desktop tower

Desktop screen of 14" and higher

- Standard PS2 wired mouse, Bluetooth mouse and wireless mouse.
- Windows 7, Windows 7 server edition, office 2010 business edition
- HP printers

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The minimum capacity of the desktop must be:

- 1.6 GHz or more processor
- 4 GB RAM
- Two standard USB ports
- Standard DVD read and write drive

Any change from the above requirements must be authorised by CEO, CFO and IT Consultant.

All purchases of desktops must be supported by manufacturer's standard guarantee or warranty and be compatible with the business's server system.

Purchasing portable computer systems

Portable computer systems can only be purchased by the authorization of CEO, CFO and IT Consultant.

Portable computer systems purchased must run a Windows 7 or latest Windows technology which integrates with existing hardware.

The portable computer systems purchased must be HP, Dell, Acer, Toshiba, Samsung or similar brands.

The minimum capacity of the portable computer system must be:

- 1.6 or more GHz processor
- 2 GB RAM
- At least one standard USB ports
- Optional DVD read and write drive

The portable computer system must include the following software provided:

- MS office 2010 business edition or higher
- Adobe Acrobat reader

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Any change from the above requirements must be authorised by CEO, CFO and IT Consultant.

All purchases of all portable computer systems must be supported by manufacturer's standard guarantee or warranty and be compatible with the business's server system.

Purchasing server systems

Server systems can only be purchased by the authorization of CEO, CFO and IT Consultant.

Server systems purchased must be compatible with all other computer hardware in the business.

The minimum capacity of the portable computer system must be:

- System Manufacturer : INTEL
- Processor : Intel(R) Core (TM) i3 CPU 540 @ 3.07 GHz (4CPUs), 3.1GHz
- Memory : 2048MB RAM
- At least one standard USB ports
- Optional DVD read and write drive

All purchases of server systems must be supported by manufacturer's standard guarantee or warranty and be compatible with other business's server systems.

Any change from the above requirements must be authorised by CEO, CFO and IT Consultant

Purchasing computer peripherals

Computer system peripherals include printers, scanners, external hard drives etc.

Computer peripherals can only be purchased where they are not included in any hardware purchase or are considered to be an additional requirement to existing peripherals.

Computer peripherals purchased must be compatible with all other computer hardware and software in the business.

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The purchase of computer peripherals can only be authorised by CEO, CFO and IT Consultant. It should also be approved by relevant department.

All purchases of computer peripherals must be supported by manufacturer's standard guarantee or warranty and be compatible with the business's other hardware and software systems.

Any change from the above requirements must be authorised by CEO, CFO and IT Consultant.

Purchasing mobile telephones

A mobile phone will only be purchased once the eligibility criteria is met. Refer to the Mobile Phone Usage policy in this document.

The purchase of a mobile phone must be from leading brands in the market, such as Samsung, Apple, Nokia, Q mobile etc. to ensure the business takes advantage of volume pricing based discounts provided by Moblink, UFone, Warid and Telenor. Such discounts should include the purchase of the phone, the phone call and internet charges etc.

The mobile phone must be compatible with the business's current hardware and software systems.

The request for accessories (a hands-free kit etc.) must be included as part of the initial request for a phone.

The purchase of a mobile phone must be approved by CEO, CFO and IT consultant.

Any change from the above requirements must be authorised by CEO, CFO and IT consultant.

All purchases of all mobile phones must be supported by manufacturer's standard guarantee or warranty and be compatible with the business's other hardware and software systems.

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Policy for Getting Software

Policy Number: FPM-ITP-002

Policy Date:

Purpose of the Policy

This policy provides guidelines for the purchase of software for the business to ensure that all software used by the business is appropriate, value for money and where applicable integrates with other technology for the business. This policy applies to software obtained as part of hardware bundle or pre-loaded software.

Procedures

Request for Software

All software, commercial and non-commercial including open source, freeware, etc. must be approved by CEO, CFO and IT Consultant prior to the use or download of such software.

Purchase of software

The purchase of all software must adhere to this policy.

All purchased software must be purchased by the approval of CEO, CFO and IT consultant.

All purchased software must be purchased from authorized or reputable software sellers.

All purchases of software must be supported by CEO, CFO and IT consultant and be compatible with the business's server and/or hardware system.

Any changes from the above requirements must be authorised by CEO, CFO and IT consultant.

Obtaining open source or freeware software

Open source or freeware software can be obtained without payment and usually downloaded directly from the internet.

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In the event that open source or freeware software is required, approval from CEO, CFO and IT consultant must be obtained prior to the download or use of such software.

All open source or freeware must be compatible with the business's hardware and software systems.

Any change from the above requirements must be authorised by CEO, CFO and IT consultant.

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Policy for Use of Software

Policy Number: FPM-ITP-003

Policy Date:

Purpose of the Policy

This policy provides guidelines for the use of software for all employees within the business to ensure that all software use is appropriate. Under this policy, the use of all open source and freeware software will be conducted under the same procedures outlined for commercial software.

Procedures

Software Licensing

All computer software copyrights and terms of all software licences will be followed by all employees of the business.

Where licensing states limited usage (i.e. number of computers or users etc.), then it is the responsibility of IT manager to ensure these terms are followed.

CFO is responsible for completing a software audit of all hardware twice a year to ensure that software copyrights and licence agreements are adhered to.

Software Installation

All software must be appropriately registered with the supplier where this is a requirement.

FPM is to be the registered owner of all software.

Only software obtained in accordance with the getting software policy is to be installed on the business's computers.

All software installation is to be carried out by IT Manager or his representative.

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A software upgrade shall not be installed on a computer that does not already have a copy of the original version of the software loaded on it.

Software Usage

Only software purchased in accordance with the getting software policy is to be used within the business.

Prior to the use of any software, the employee must receive instructions on any licensing agreements relating to the software, including any restrictions on use of the software.

All employees must receive training for all new software. This includes new employees to be trained to use existing software appropriately. This will be the responsibility of IT Manager.

Employees are prohibited from bringing software from home and loading it onto the business's computer hardware. Unless express approval from CFO is obtained, software cannot be taken home and loaded on a employees' home computer.

Where an employee is required to use software at home, an evaluation of providing the employee with a portable computer should be undertaken in the first instance. Where it is found that software can be used on the employee's home computer, authorisation from CFO is required to purchase separate software if licensing or copyright restrictions apply. Where software is purchased in this circumstance, it remains the property of the business and must be recorded on the software register by IT Manager.

Unauthorised software is prohibited from being used in the business. This includes the use of software owned by an employee and used within the business.

The unauthorised duplicating, acquiring or use of software copies is prohibited. Any employee who makes, acquires, or uses unauthorised copies of software will be referred to CFO for further consultation, reprimand action etc. The illegal duplication of software or other copyrighted works is not condoned within this business and CFO is authorised to undertake disciplinary action where such event occurs.

Breach of Policy

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Approved by: The Board of Director

Where there is a breach of this policy by an employee, that employee will be referred to CFO for further consultation, reprimand action etc.

Where an employee is aware of a breach of the use of software in accordance with this policy, they are obliged to notify CFO immediately. In the event that the breach is not reported and it is determined that an employee failed to report the breach, then that employee will be referred to CFO for further consultation, reprimand action etc.

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Bring Your Own Device Policy

Policy Number: FPM-ITP-004

Policy Date:

At FPM, we acknowledge the importance of mobile technologies in improving business communication and productivity. In addition to the increased use of mobile devices, staff members have requested the option of connecting their own mobile devices to FPM's network and equipment. We encourage you to read this document in full and to act upon the recommendations. This policy should be read and carried out by all staff.

Purpose of the Policy

This policy provides guidelines for the use of personally owned notebooks, smart phones, tablets and mobile phones for business purposes. All staff who use or access FPM's technology equipment and/or services are bound by the conditions of this Policy.

Procedures

Current mobile devices approved for business use

The following personally owned mobile devices are approved to be used for business purposes:

- Notebooks or Laptops
- Tablet PCs
- Smart Phones

Registration of personal mobile devices for business use

Employees when using personal devices for business use will register the device with IT Manager and CFO.

IT Manager will record the device and all applications used by the device.

Personal mobile devices can only be used for the following business purposes:

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- Email access
- Business internet access

Each employee who utilises personal mobile devices agrees:

- Not to download or transfer business or personal sensitive information to the device. Sensitive information includes intellectual property, financial data, other employee details etc.
- Not to use the registered mobile device as the sole repository for FPM's information. All business information stored on mobile devices should be backed up. This is the responsibility of device owner.
- To make every reasonable effort to ensure that FPM's information is not compromised through the use of mobile equipment in a public place. Screens displaying sensitive or critical information should not be seen by unauthorised persons and all registered devices should be password protected
- Not to share the device with other individuals to protect the business data access through the device
- To abide by FPM's internet policy for appropriate use and access of internet sites etc.
- To notify FPM immediately in the event of loss or theft of the registered device
- Not to connect USB memory sticks from an untrusted or unknown source to FPM's equipment.

All employees who have a registered personal mobile device for business use acknowledge that the business:

- Owns all intellectual property created on the device
- Can access all data held on the device, including personal data
- Will regularly back-up data held on the device
- Will delete all data held on the device in the event of loss or theft of the device

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- Has first right to buy the device where the employee wants to sell the device
- Will delete all data held on the device upon termination of the employee. The terminated employee can request personal data be reinstated from back up data
- Has the right to deregister the device for business use at any time.

Keeping mobile devices secure

The following must be observed when handling mobile computing devices (such as notebooks and tablets):

- Mobile computer devices must never be left unattended in a public place, or in an unlocked house, or in a motor vehicle, even if it is locked. Wherever possible they should be kept on the person or securely locked away
- Cable locking devices should also be considered for use with laptop computers in public places, e.g. in a seminar or conference, even when the laptop is attended
- Mobile devices should be carried as hand luggage when travelling by aircraft.

Exemptions

This policy is mandatory unless CFO grants an exemption. Any requests for exemptions from any of these directives, should be referred to the IT department.

Breach of this policy

Any breach of this policy will be referred to CFO who will review the breach and determine adequate consequences, which can include confiscation of the device and or termination of employment.

Indemnity

FPM bears no responsibility whatsoever for any legal action threatened or started due to conduct and activities of staff in accessing or using these resources or facilities. All staff indemnify FPM against any and all damages, costs and expenses suffered by FPM arising out of any unlawful or improper conduct and activity, and in respect of any action, settlement or

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compromise, or any statutory infringement. Legal prosecution following a breach of these conditions may result independently from any action by FPM.

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Approved by: The Board of Director

Information Technology Security Policy

Policy Number: FPM-ITP-005

Policy Date:

Purpose of the Policy

This policy provides guidelines for the protection and use of information technology assets and resources within the business to ensure integrity, confidentiality and availability of data and assets.

Procedures

Physical Security

For all servers and other network assets, the area must be secured with adequate ventilation and appropriate access through physical locks.

It will be the responsibility of IT Manager to ensure that this requirement is followed at all times. Any employee becoming aware of a breach to this security requirement is obliged to notify CFO immediately.

All security and safety of all portable technology will be the responsibility of the employee who has been issued with the device. Each employee is required to use security measures and to ensure the asset is kept safely at all times to protect the security of the asset issued to them.

In the event of loss or damage, CFO will assess the security measures undertaken to determine if the employee will be required to reimburse the business for the loss or damage.

Information Security

All sensitive, valuable, and/or critical business data is to be backed-up regularly.

It is the responsibility of IT Manager to ensure that data back-ups are conducted according to FPM's BCP plan and the backed up data is kept at pre-determined location.

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Approved by: The Board of Director

All technology that has internet access must have anti-virus software installed. It is the responsibility of IT Manager to install all anti-virus software and ensure that this software remains up to date on all technology used by the business.

All information used within the business is to adhere to the privacy laws and the business's confidentiality requirements.

Technology Access

Every employee will be issued with a unique identification code to access the business technology and will be required to set a password for access every sensitive application.

Each password is to be unique in nature, should be combination of number, alpha and upper/lower case and special characters and is not to be shared with any employee within the business.

IT Manager is responsible for the issuing of the identification code and initial password for all employees.

Where an employee forgets the password or is 'locked out', then IT Manager is authorised to reissue a new initial password that will be required to be changed when the employee logs in using the new initial password.

The following table provides the authorisation of access:

Technology – Hardware/ Software	Persons authorised for access
{insert name or type of technology here}	{insert authorised persons or job titles here}
{insert name or type of technology here}	{insert authorised persons or job titles here}
{insert name or type of technology here}	{insert authorised persons or job titles here}
{insert name or type of technology here}	{insert authorised persons or job titles here}

It is the responsibility of CFO to keep all procedures for this policy up to date.

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Approved by: The Board of Director

Information Technology Administration Policy

Policy Number: FPM-ITP-006

Policy Date:

Purpose of the Policy

This policy provides guidelines for the administration of information technology assets and resources within the business.

Procedures

All software installed and the licence information must be registered on the IT Department. It is the responsibility of IT Manager to ensure that this registered is maintained. The register must record the following information:

- What software is installed on every machine
- What licence agreements are in place for each software package
- Renewal dates if applicable.

CFO is responsible for the maintenance and management of all service agreements for the business technology. Any service requirements must first be approved by CEO of FPM.

IT Manager is responsible for maintaining adequate technology spare parts and other requirements including toners, printing paper etc.

A technology audit is to be conducted annually by CFO to ensure that all information technology policies are being adhered to.

Any unspecified technology administration requirements should be directed to CEO of FPM.

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Approved by: The Board of Director

Website Policy

Policy Number: FPM-ITP-007

Policy Date:

Purpose of the Policy

This policy provides guidelines for the maintenance of all relevant technology issues related to the business website.

Procedures

Website Register

The website register must record the following details:

- List of domain names registered to the business
- Dates of renewal for domain names
- List of hosting service providers
- Expiry dates of hosting

The keeping of register up to date will be the responsibility of IT Manager.

CFO will be responsible for any renewal of items listed in the register.

Website Content

All content on the business website is to be accurate, appropriate and current. This will be the responsibility of CFO.

All content on the website must follow a business or content plan agreed by relevant authorities.

The content of the website is to be reviewed quarterly.

The following persons are authorised to make changes to the business website:

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CEO

CFO

Basic branding guidelines must be followed on websites to ensure a consistent and cohesive image for the business.

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IT Service Agreements Policy

Policy Number: FPM-ITP-008

Policy Date:

Purpose of the Policy

This policy provides guidelines for all IT service agreements entered into on behalf of the business.

Procedures

The following IT service agreements can be entered into on behalf of the business:

- Provision of general IT services
- Provision of network hardware and software
- Repairs and maintenance of IT equipment
- Provision of business software
- Provision of mobile phones and relevant plans
- Website design, maintenance etc.

All IT service agreements must be reviewed by IT Manager, lawyer or solicitor, CFO and CEO before the agreement is entered into. Once the agreement has been reviewed and recommendation for execution received, then the agreement must be approved by CEO of FPM.

All IT service agreements, obligations and renewals must be recorded.

Where an IT service agreement renewal is required, in the event that the agreement is substantially unchanged from the previous agreement, then this agreement renewal can be authorised by CFO and CEO of FPM.

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Where an IT service agreement renewal is required, in the event that the agreement has substantially changed from the previous agreement, IT Manager, lawyer or solicitor, CFO and CEO should review before the renewal is entered into. Once the agreement has been reviewed and recommendation for execution received, then the agreement must be approved by CEO and CFO of FPM.

In the event that there is a dispute to the provision of IT services covered by an IT service agreement, it must be referred to CEO who will be responsible for the settlement of such dispute.

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Dated: 28 April 2015

Presented by: Chief Executive

Approved by: The Board of Director

Emergency Management of Information Technology

Policy Number: FPM-ITP-009

Policy Date:

Purpose of the Policy

This policy provides guidelines for emergency management of all information technology within the business.

Procedures

IT Hardware Failure

Where there is failure of any of the business's hardware, this must be referred to CFO immediately.

It is the responsibility of IT Manager to inform higher management, i.e. CFO and CEO in the event of IT hardware failure.

It is the responsibility of IT Manager to undertake tests on planned emergency procedures to ensure that all planned emergency procedures are appropriate and minimise disruption to business operations. For details, please refer to BCP document of FPM.

Virus or other security breach

In the event that the business's information technology is compromised by software virus, such breaches are to be reported to CFO immediately.

IT Manager is responsible for ensuring that any security breach is dealt with within the specific time to minimise disruption to business operations.

Website Disruption

In the event that business website is disrupted, the following actions must be immediately undertaken:

- Website host to be notified

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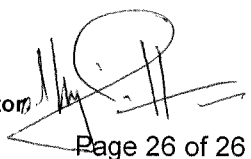
- CFO and CEO must be notified immediately
- Work with hosting team to ensure immediate recovery

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Approved by: The Board of Directors

A handwritten signature in black ink, consisting of a large loop and several vertical strokes, positioned over the text 'Approved by: The Board of Directors' and 'Page 26 of 26'.

First Paramount Modaraba An Islamic Financial Institution



POLICY FOR ANTI-MONEY LAUNDERING

V4 July 09th, 2018

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Document review

Review of the document

Version	Name	Date	Modifications
Draft 0	Ahtram-UI-Haq	January, 15 th 2016	Created
V1	Mohammad Tariq	February, 26 th 2016	Final Document
V2	Abdullah Khan	February, 26 th 2016	Format revision
V3	Ahtaram-UI-Haq	March, 14 th 2016	Final reviewed
V4	Hassan Hammad	July 05 th , 2018	Amended

Validation

Name	Entity	Signature	Date	Version
Syed Wajih Hasan	CEO		6/07/2018	V4

Authorization

Name	Entity	Signature	Date	Version
Board of Directors	FPM		July 09 th , 2018	V4

1 Introduction

FPM shall eliminate the risks concerning *AML/CFT* emerging out of its operational and financing activities.

For deposit accepting product – COM, as well as financing activities i.e. Musharakah and Murabaha finances, FPM should have internal controls in place ensuring absolute compliance of *AML/CFT* regulations.

2 Risk Identification and Assessment

RISK IDENTIFICATION

Anti Money Laundering (AML) / Counter Financing of Terrorism (CFT) Risks

Products of Modaraba that are exposed to ML/CFT are:

- a. Certificate of Musharakah (COM)
- b. Murabaha and Musharakah Finance

Risks related to product / Certificate of Musharakah - COM

- Illegally earned / illicit money may be legalized through FPM.
- Eventual beneficiary of the deposits may be a sanctioned individual / organization.
- Customer may belong to any country which is on the UN sanctioned list e.g Iran.

Risks related to Murabaha and Musharakah Finance

Modaraba may finance sanctioned entity / individual (*Using Murabaha / Musharakah financing products*).

RISK ASSESSMENT LEVEL

After identification of AML / CFT related risks arising out of operational and financing activities of Modaraba and devising a mitigating environment within the Modaraba, the management of Modaraba rates the overall AML / CFT related risk at a "LOW" level.

3 Risk Mitigating Procedures

New Customers

Every new customer of COM and Murabaha / Musharakah financing shall be screened by compliance department for High Risk Customer Qualification. Evidence of screening shall be posted on file of each customer.

CNIC of every customer is verified through NADRA citizen verification system (Verisys).

No deposits shall be accepted from the COM customer whose name appears in SBP's recommended "UN Sanction List". Cases found shall be reported to the regulator for future action.

No finances shall be made to financing customers whose name appears in SBP's recommended "UN Sanction List". Cases found shall be reported to the regulator for future action.

Business shall only be carried out (deposits accepted or financing extended) with persons having valid NADRA identification.

Known PEPs shall be subjected to detailed CDD (Customer Due Diligence) with regards to:

Obtain approval from senior management to establish or continue business relations where the customer or a beneficial owner is a known PEP or subsequently become a PEP. Following steps shall be taken for each PEP.

- (a) Ascertainment of nature and profitability of his business.
- (b) Banker's details and Satisfaction letter.
- (c) Income Tax Returns are obtained.
- (d) Sources of income and wealth are determined.
- (e) Social reputation and status check.

Only PEPs having legitimate means of wealth shall be allowed to deposit in COM scheme.

4 Existing Customers

Within first fifteen days of July and January in every calendar year, compliance department of FPM shall complete the screening of entire database of Modarba's customer for Certificate of Musharaka.

The screening shall be performed to identify high level PEPs in the database and sanctioned individuals as mentioned in SBPs recommended UN sanction list of individuals.

For individuals subsequently qualifying for PEP definition, detailed due diligence test shall be performed as mention above to determine the legitimacy of their wealth.

Cases of existing customers found to be in the SBPs recommended UN sanctioned list, shall immediately be reported to SBP and other relevant authorities for their advice of future action by filling an STR.

5 Employee Checks

The employees are strictly prohibited to disclose the fact to the customer or any other quarter that a suspicious transaction or related information is being or has been reported to any authority, except if required by law.

Every employees of FPM shall be subjected to the following checks at the time of induction in employment.

- Past employment checks in writing shall be obtained.
- Educational verification at least at graduation level and above.
- General reputation checks.
 - i. References.
 - ii. Visit to neighborhood.
- AML / CFT check

Within the first fifteen days of July in every calendar year all employee of FPM shall be subjected to all the steps of screening mentioned above for new employee, to the extant these are relevant. This shall be made as a part of code of conduct / Ethics.

6 Record Keeping

We shall maintain all necessary records on transactions for a minimum period of ten years from completion of the transaction.

The records of identification data obtained through CDD process like copies of identification documents, opening forms, KYC forms, verification documents and other documents along with records of files and business correspondence, shall be maintained for a minimum period of ten years after the business relationship is ended. The identification records may be maintained in document as originals or copies.

The records shall retain for longer period where transactions, customers or accounts involve litigation or it is required by court or other competent authority.

Glossary

Word	Definition
AML	Anti Money Laundering
CFT	Counter Financing of Terrorism
CCD	Customer Due Diligence
KYC	Know Your Customer
PEP	Politically Exposed Person
FPM	First Paramount Modaraba
STR	Suspicious Transaction Report
SBP	State Bank of Pakistan
UN	United Nations
COM	Certificate of Musharakah



FIRST PARAMOUNT MODARABA (FPM)	Terms of Reference
	HUMAN RESOURCE COMMITTEE
	Prepared By: Chief Executive
	Approved By: The Board of Directors Effective Date: 28 th April, 2015

I. Constitution

- The Human Resource Committee is constituted as a committee of the Board of First Paramount Modaraba consist of three members excluding CEO who shall be an ex-officio member.
- The Chairman of the Committee shall be any member Director.
- Terms of Reference may be amended at any time by the Board.
- The committee may from time to time investigate and discuss or review matters outside its terms of reference-if required to do so by the Board.

II. Authority

The committee is authorized to;

- Seek any information it requires from any employee of the company in order to perform its duties
- Can forward the matter to obtain outside legal and professional advice in any matter within terms of references.

III. Attendance at Meetings

- The quorum necessary for transaction of the business of committee shall be at least two committee members.
- Only members of the committee have right to attend committee meetings. However, any non-executive and executive staff may be invited to attend all or part of any meeting as and when appropriate.
- Representative of Internal or external auditor shall attend meetings if requested by the committee.

IV. Frequency & Notice of meetings

- Meetings shall be held at least one time in a year at appropriate time and otherwise as required.
- The Notice of each meeting confirming the venue, time and date with an agenda of items to be discussed and supporting documents shall be circulated not later than two days before the meeting.

V. Minutes of meetings

- The CEO will act as a secretary of the Committee.
- The secretary of the committee shall minute the proceedings and decisions of



all the meetings of the committee, including maintenance of attendance register.

VI. Duties

The responsibilities of the committee include but not limited to the following actions;

- Committee will develop effective Human Resource Policy and recommend to the Board.
- Committee will evaluate and select the CEO, CFO, Head of Internal Audit & Company Secretary functions and give recommendation regarding their compensation or remuneration / appraisal / any other benefits.
- Committee will consider and approve the key management appraisals / any other benefits recommended by the CEO.
- Committee will review the organization structure or hierarchy and recommend any restructuring to strengthen the system according to need of the organization.



FIRST PARAMOUNT MODARABA (FPM)	Terms of Reference
	AUDIT COMMITTEE
	Prepared By: Chief Executive
	Approved By: The Board of Directors
	Effective Date: 28 th April, 2015

I. Constitution

- The Audit Committee is constituted as a committee of the Board of First Paramount Modaraba.
- Terms of Reference may be amended at any time by the Board.
- The committee may from time to time investigate and discuss or review matters outside its terms of reference if required to do so by the Board.

II. Authority

The committee is authorized to;

- Seek any information it requires from any employee of the company in order to perform its duties
- Can forward the matter to obtain outside legal and professional advice in any matter within terms of references.

III. Attendance at Meetings

- The quorum necessary for transaction of the business of committee shall be at least two committee members.
- Only members of the committee have right to attend committee meetings. However, any non-executive and executive staff may be invited to attend all or part of any meeting as and when appropriate.
- Representative of Internal or external auditor shall attend meetings if requested by the committee.

IV. Frequency & Notice of meetings

- Meetings shall be held at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- The Notice of each meeting confirming the venue, time and date with an agenda of items to be discussed and supporting documents shall be circulated not later than seven days before the meeting.

V. Minutes of meetings

- The secretary of the committee shall minute the proceedings and decisions of all the meetings of the committee, including maintenance of attendance register.

Approved by The Board of Directors – Dated 28th April, 2015



VI. Duties

- Committee shall be responsible for consideration and recommendation of the Quarterly, Half Yearly and Annual Financial Statements of First Paramount Modaraba to BOD for its approval.
- The consistency of, and any changes to, accounting policies and methods on a year by year basis.
- Compliance of International Accounting Standards and clarity of disclosure in the company's financial reports and the context in which statements are made; and
- All material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

Internal controls and risk management systems

- The committee shall keep review the effectiveness of the company's internal financial & Internal controls and risk management systems and Internal Auditors (IAD) as its tool.

Compliance, whistleblowing and fraud

- The committee shall review time by time the procedure for detecting fraud and develop the company's systems and control for prevention of such fraudulent activities.

Internal audit

- The committee can approve the appointment and removal of Internal Auditor and review the effectiveness of internal audit function.
- Review and develop annual internal audit plan.
- The committee will review and monitor the observations and recommendation of internal auditor.

External audit

- The committee shall consider and make recommendation to the board in relation to appointment / re-appointment removal of company's external auditors.
- Recommendations on their remuneration whether fees for audit or non-audit service.
- Review and approve the annual audit and ensure that it is consistent with the scope of the audit engagement
- Review the findings of the audit with the external auditor.
- Review the management letter and management's response to the auditor's findings and recommendations

Approved by The Board of Directors – Dated 28th April, 2015

FIRST PARAMOUNT MODARABA (FPM)	FA 101
	Fixed Asset Policy & Procedure
	Prepared By: Chief Financial Officer
	Approved By: Chief Executive Officer
	Effective Date: 28 th April, 2015

Purpose

To provide a systematic method that allows for the accurate recording the addition/deletion/depletion/use of assets of First Paramount Modaraba (FPM) managed by Paramount Investments Limited (PIL) will ensure accurate recording and reporting of the FPM's assets. It is intended to assist in implementing and maintaining an effective Asset control program. The implementation of an effective and accurate process for tracking fixed assets is necessary for under mentioned reasons:

- ❖ Preparation of financial information using the Generally Accepted Accounting Principles (GAAP). Government regulations require us to track an asset's cost, depreciation, and the disposal of the asset. Assets that will be depreciated have been categorized and assigned a depreciation life. (For example, technology equipment has an expected book life of five (5) years).
- ❖ To utilize asset records for insurance purposes. In the event of a loss it is necessary to have an accurate record of the asset to ensure adequate insurance coverage, of the item lost.

Definitions

For the purpose of this policy document, fixed assets include intangible assets i.e Software also.

Responsibility

Administrator

The Administrator is responsible for custody and control of assets assigned to the applicable department/facility. He will be responsible for implementation of the policy and related regulations and procedures.

Addition / Disposition of Assets

In order to maintain accurate asset records, asset disposals shall be recorded promptly. These records shall reflect whether the items have been surplus, traded in, sold, stolen, or destroyed.

The administrator will complete a fixed asset maintenance form. Information required on the form includes:

- ❖ Complete description of the item, including brand, model, serial number, color, and size, etc. which deemed to be sufficient to properly identify property.

Depreciation Procedures

Estimated useful lives of capitalized assets shall be determined by the Finance Office Unit in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

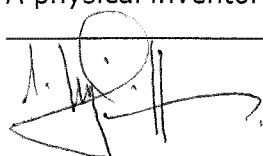
Type of Asset	Useful life	Method of Depreciation
Computer equipment	3.3 years (33%)	Reducing Balance Method
Software	3.3 years (33%)	Reducing Balance Method
Office furniture	10 years (10%)	Reducing Balance Method
Generator; ❖ Generator for Rental ❖ Generator for Office Use	Working Hours Basis 10 Years (10%)	Working Hours Basis Reducing Balance Method
Looms	20 years (5%)	Reducing Balance Method
Electrical Tools / Equipment	10 years (10%)	Reducing Balance Method
Vehicles	5 years (20%)	Reducing Balance Method

Recordkeeping

- ❖ Invoices substantiating the acquisition cost of each unit of property shall be retained for a minimum of (5 years) five years.
- ❖ In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition over day's basis. (Example: an asset purchased on the 15th day of the first month shall have 16 days for first month and eleven full months of depreciation recorded for that year.)
- ❖ For accounting and interim financial reporting purposes, depreciation expense will be recorded on a monthly basis.

Conducting Physical Inventory

A physical inventory will be conducted Bi-annually / annually for all inventoriable assets.





FIRST PARAMOUNT MODARABA (FPM)	Terms of Reference
	CREDIT COMMITTEE
	Prepared By: Chief Executive
	Approved By: The Board of Directors
	Effective Date: 28 th April, 2015

I. Constitution

- The Credit Committee is constituted as a committee of the Board of First Paramount Modaraba.
- Terms of Reference may be amended at any time by the Board.
- Any member of the Committee may be removed or replaced at any time by the Board.
- Where a Director who is a member of the Committee leaves office, the Board shall appoint a new member to the Committee
- The committee may from time to time investigate and discuss or review matters outside its terms of reference if required to do so by the Board.

II. Authority

The committee is authorized to;

- Seek any information it requires with regard to any client(s) of FPM in order to perform its duties
- Can forward the matter to obtain outside legal and professional advice in any matter within terms of references.

III. Attendance at Meetings

- The quorum necessary for transaction of the business of committee shall be at least two committee members.
- Only members of the committee have right to attend committee meetings. However, any non-executive and executive staff may be invited to attend all or part of any meeting as and when needed by the committee.

IV. Frequency & Notice of meetings

- Meetings shall be called time to time as required.
- The Notice of each meeting confirming the venue, time and date with an agenda fo items to be discussed and supporting documents shall be circulated not later than two days before the meeting.

V. Minutes of meetings

- The secretary of the committee shall minute the proceedings and decisions of all the meetings of the committee, including maintenance of attendance register.

VI. Duties

- The Committee shall approve the credit policy of the Modaraba and recommend the same for approval for the Board of Directors (BOD).
- Review and recommend changes in credit policy.



The committee will;

- Assist BODom assessing risks associated to investment transactions/projects of First Paramount Modaraba (FPM).
- Weigh Credit Risks against proposals of investments developed by the management of FPM and;
 - a) In case of proposals upto Rs. 7.5 Million accord their approval of the proposal/conditionally agree with proposal / reject the proposal, based on the merits of credit worthiness.
 - b) In case of proposal over & above Rs. 7.5 Million may (i) completely or conditionally approve the proposal for BOD's recommendations, or (ii) reject the proposal based in the merits of credit worthiness.
- Follow the guidelines and documentation requirement as prescribed in Prudential Regulation (PR).



FIRST PARAMOUNT MODARABA (FPM)	FA 101
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	Prepared By: Chief Financial Officer
	Approved By: Chief Executive Officer
	Effective Date: 28 th April, 2015

Purpose

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Approved by The Board of Directors – Dated 28th April, 2015

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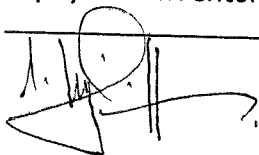
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FIRST PARAMOUNT MODARABA (FPM)

Terms of Reference

CREDIT COMMITTEE

Prepared By: Chief Executive

Approved By: The Board of Directors

Effective Date: 28th April, 2015

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- Follow the guidelines and documentation requirement as prescribed in Prudential Regulation (PR).

FIRST PARAMOUNT MODARABA

WEBSITE PUBLISHING POLICY

The following procedure is being adopted to ensure only management approved data is being uploaded on the Websites (FPM or FPM Solutions) and the Face Book Page.

1. The material to be uploaded will be prepared by the concerned department/person. The material will vary depending on situation e.g. it could be a picture with a caption, or it could be an article or news-clip, or it could be a press release, etc.
2. The prepared material will be passed to CEO/Director for review and approval. The Website or Facebook paper on which it will appear will be clearly specified.
3. Approved material will be passed to :
 1. Mr. Hassan Hammad for Facebook page.
 2. Mr. Hassan Hammad for FPM Website
 3. Mr. Osama Javed for FPM Solutions Website

Each responsible person above will keep record of "Approved Updates" for his domain so that audit can be performed later.

Please ensure compliance to above.

Director

Director

Director