Investor Suitability Assessment Policy and Procedures

Version 1.0

August 2021

Owner: Investor Services & Quality Assurance Department
Intended Audience: Management Team

Overview	This is the official Investor Suitability Assessment Policy and Procedures which shall be followed by all relevant employees of MCB-Arif Habib Savings and Investments Limited.
Investor Suitability Assessment Policy	The objective of Investor Suitability Assessment is to ensure that Collective Investment Scheme ("CIS")/ Administrative Plan ("Plan") managed by MCB-Arif Habib Savings and Investments Limited (hereinafter referred to as the "MCB-AH" or "Company") is suitable for the potential investor of MCB-AH based on his/her risk profile. MCB-AH recognises the fact that the main driver of the risk profile is need of the customer, therefore the customer may have multiple risk profiles for multiple needs. Long-term need of the customer such as savings for child's education may have high risk score, whereas short-term need of the same customer such as savings for a car after six months may have a low risk score. To accommodate need based risk profiling, MCB-AH has kept the risk profiling on each account of the customer with the understanding that the customer will open multiple accounts for multiple needs. Suitability Assessment of the customer will be conducted at the time of investment based on the results of Risk Profiling Questionnaire filled by the customer either at the time of account opening or subsequent to account opening, as the case may be. This Policy is in line with the requirements of Clause (ab) of Sub-Regulation (2) of Regulation 38 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("NBFC Regulations"), guidelines issued by Securities and Exchange Commission of Pakistan ("SECP") through Circular No. 2 of 2020 "Requirement for Assessing Suitability and Risk Categorization of Collective Investment Schemes (CIS)" as amended by Circular No. 32 of 2020 and Ethical Selling Guidelines issued by Mutual Funds Association of Pakistan ("MUFAP") with the consent of SECP. In the event of any conflict between this Policy and the statutory requirements, the latter shall supersede and prevail over the provisions contained in this Policy.
Scope of the Policy	The scope of this Policy is limited to the Individual/Retail Customers transacting through physical application forms. Online transactions of the Individual/ Retail Customers are excluded from the scope of this Policy in accordance with the requirements of Ethical Selling Guidelines issued by Mutual Funds Association of Pakistan ("MUFAP") with the consent of SECP. However, Individual/ Retail Customers will be shown their risk profile and CIS risk profile at the time of online transactions so that they can take informed decision.

Effective Date	August ____, 2021
Business Owner	Investor Services & Quality Assurance Department
Prepared by	Head of Investor Services & Quality Assurance
Reviewed by	1. Compliance Department 2. Head of Sales 3. Chief Executive Officer
Approved by	Board of Directors
Update comments	

PREAMBLE

1.1 The Management of the Company shall have an overall responsibility for implementation of Investor Suitability Assessment Policy and Procedures.

1.2 Investor Suitability Assessment Policy and Procedures shall be strictly followed by all employees of the Company who are involved in suitability assessment of the customer (hereinafter collectively referred to as the "employees").

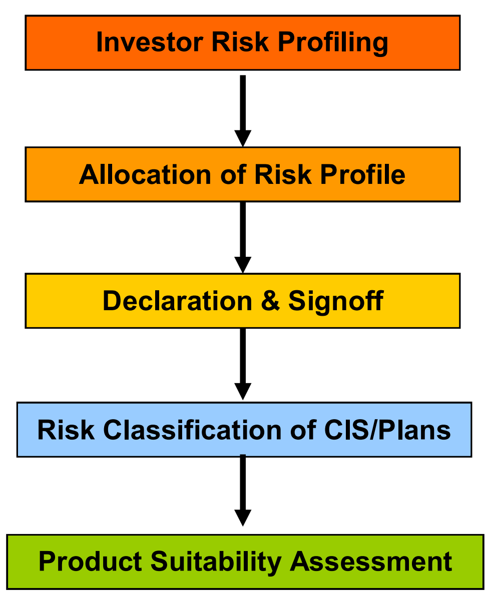
1.3 The basic responsibility for maintenance and updating of this document resides with the Head of Investor Services & Quality Assurance. The review and updating of this document shall be an ongoing process to ensure continuous alignment of this document with the Company-wide strategy and the internal and external dynamics in which the Company operates. Such factors may also include the developments and changes required by laws, rules and regulations applicable on the Company.

1.4 Head of Investor Services & Quality Assurance Department shall initiate, the CEO shall validate and the BOD shall approve any modifications to this document. The CEO shall be authorized to allow interim approval of any proposed changes in this document and their implementation only in cases where the changes do not require any material amendments and are required to be affected promptly. However, any such changes shall be subject to subsequent ratification by the BOD.

1.5 As a policy, this document shall be reviewed at least once in every three (3) years and updated, if required.

1. INVESTOR SUITABILITY ASSESSMENT PROCEDURES

2.1 The following steps will be followed for all individual investors in order to conduct suitability assessment of CIS/Plans.



2.2 The requirements for each of these step is detailed below

Investor Risk Profiling

The below mentioned Risk Profiling Questionnaire (RPQ) will be a part of the physical Account Opening Forms as well as made available for digital accounts opened or registered through iSave, enabling MCB-AH to understand Investor's investment objectives and risk/return expectation that can translate into an asset allocation suitable to respective investor's investment needs

1	**Your current age**	**Score**
	More than 60 years	1
	46 - 60 years	2
	30 - 45 years	3
	Less than 30 years	4

2	**Your current employment status**	
	Retired (Life savings/Pension)	1
	House Wife/Student/Dependent	2
	Salaried Employee	3
	Own Business	4

3	**For how long do you want to keep your investment before cashing out**	
	Less than 6 Months	1
	7 months to a year	2
	Between 3 to 5 years	3
	Over 5 years	4

4	**What portion of your current investments (if any) are invested in the Stock Market ?**	
	76 - 100 %	1
	51 - 75 %	2
	21 - 50 %	3
	0 - 20 %	4

5	**What are you investing for?**	
	Regular Income - e.g. kitchen expenses	2
	Cash Management - e.g. fulfilling short-term goals	4
	Capital growth - e.g. education/marriage	6
	Long term savings - e.g. retirement planning	8

6	**How would you react if your portfolio value falls below what you initially invested?**	
	Encash my investment immediately	1
	Transfer my investment to a more secure fund	2
	I will hold my investment and wait for better returns	3
	Invest additional amount to reduce my average cost	4

Allocation of Risk Profile

Depending on the response submitted by investors against each question, Total Risk Profile Score is calculated and a risk profile is assigned to the investor as per the table below:

INVESTOR PROFILE	SCORE FROM	SCORE TO
Very Low	1	10
Low	11	14
Medium/ Moderate	15	21
High	22	28

Declaration & Signoff

Customers will be required to sign off the below mentioned declaration at the time of completing the Risk Profiling Questionnaire:

"I understand that this Risk Profiling Questionnaire ("RPQ") will help me in assessing my risk appetite based on my need and the information provided by me. The Company and its representative have helped me in understanding the implication of scores derived from RPQ on my scheme/plan selection. I am aware that my different savings needs may have different risk appetite which may change over time depending on my personal situation and objectives. I also understand that this RPQ does not constitute, in any manner, advice given by the Company or its representative. I also understand that my current and future investment, conversion and transfer transactions may not match with the risk score derived from this RPQ. I will not hold the Company or its representative liable or responsible for these transactions in any manner."

Risk Classification of CIS/Plans

In accordance with the requirements mentioned in SECP's Circular No. 02 of 2020 as amended by SECP's Circular No. 32 of 2020, all CIS/ Plans under the management of MCB-AH are being classified as per the following risk profiles and will be placed on Account Opening Form, Investment Form, Conversion Form, Fund Manager's Reports and Offering Documents.

MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED
RISK PROFILE OF COLLECTIVE INVESTMENT SCHEMES/ADMINISTRATIVE PLANS

Name of Collective Investment Scheme	Category of Collective Investment Scheme	Risk Profile	Risk of Principal Erosion	Investor Eligible Score
CONVENTIONAL				
Pakistan Cash Management Fund	Money Market	Very Low	Principal at very low risk	=>0
MCB Cash Management Optimizer	Money Market	Low	Principal at low risk	=>11
MCB-DCF Income Fund	Income	Medium	Principal at medium risk	=>15
Pakistan Income Fund	Income	Medium	Principal at medium risk	=>15
MCB Pakistan Sovereign Fund	Income	Medium	Principal at medium risk	=>15
Pakistan Income Enhancement Fund	Aggressive Fixed Income	Medium	Principal at medium risk	=>15
MCB Pakistan Asset Allocation Fund	Asset Allocation	High	Principal at high risk	=>22
Pakistan Capital Market Fund	Balanced	High	Principal at high risk	=>22
MCB Pakistan Stock Market Fund	Equity	High	Principal at high risk	=>22

Name of Collective Investment Scheme	Category of Collective Investment Scheme	Risk Profile	Risk of Principal Erosion	Investor Eligible Score
SHARIAH COMPLIANT				
Alhamra Islamic Money Market Fund	Shariah Compliant Money Market	Low	Principal at low risk	=>11
Alhamra Islamic Income Fund	Shariah Compliant Islamic Income	Medium	Principal at medium risk	=>15
Alhamra Daily Dividend Fund	Shariah Compliant Islamic Income	Medium	Principal at medium risk	=>15
Alhamra Smart Portfolio	Shariah Compliant Islamic Fund of Fund	Medium	Principal at medium risk	=>15
Alhamra Islamic Asset Allocation Fund	Shariah Compliant Islamic Asset Allocation	High	Principal at high risk	=>22
Alhamra Islamic Stock Fund	Shariah Compliant Islamic Equity	High	Principal at high risk	=>22

Name of Administrative Plan	Risk Profile	Risk of Principal Erosion	Investor Eligible Score
CONVENTIONAL			
Gulluck Plan (MCB-PSM)	High	Principal at high risk	=>22
MCB-PSM Savings Plan	High	Principal at high risk	=>22
Balanced Savings Plan	High	Principal at high risk	=>22
Pension Builder Plan	High	Principal at high risk	=>22
Smart Trader	High	Principal at high risk	=>22
Balanced Portfolio	High	Principal at high risk	=>22
Dynamic Income Provider	High	Principal at high risk	=>22
PIF Savings Plan	Medium	Principal at medium risk	=>15
Smart Portfolio	Medium	Principal at medium risk	=>15
Monthly Income Plan	Medium	Principal at medium risk	=>15
SHARIAH COMPLIANT			
Gulluck Plan (ALHISF)	High	Principal at high risk	=>22
Hajj Saver Account (ALHAA)	High	Principal at high risk	=>22

Product Suitability Assessment

1. Product Suitability Assessment will be primary responsibility of the Sales Person, who will perform the following steps at the time of accepting investment/conversion-in transactions from the customer:

   (a) Sales Person shall explain RPQ to the new customer and ensure that declaration on RPQ is duly read and signed by the new customer prior to making an investment.

   (b) Sales Person shall also explain the risk of the category of CIS being invested/ converted in to the customer and get a separate signature of the customer on Risk Disclosure Statement stating that the Sales Person has explained the risk of the CIS/ category.

   (c) Sales Person shall also sign an undertaking that:

      - the risk of the CIS has been adequately disclosed to the customer and he/ she has clearly understood the same; and
      - he/she has not guaranteed any returns/ number or percentage to the customer.

   (d) Undertaking by Sales Person will be countersigned by his/her immediate supervisor and will be attached with the Investment/ Conversion Form.

2. **Risk Based Approach for conducting transaction intimation/confirmation:** Below-mentioned Risk Based Approach will be adopted for transaction intimation/confirmation from the customer in an event where customer has opted to invest/convert into a CIS having Higher Risk Profile/ Eligible Score as compared to the respective customer's own Risk Profile/ Risk Score.

Risk Profile of Collective Investment Scheme/ Administrative Plan	Risk Based Approach
Very Low	Intimation/Confirmation will not be required as risk of principal erosion is very low.
Low	Transaction Intimation through either Call, Email, SMS or Letter within the cooling-off period after processing of transaction.
Medium/ Moderate	
High	Transaction Confirmation through either Call, Email, SMS or Letter prior to processing of transaction.

3. This document does not cover transactions received online through MCB-AH's Digital Savings Platform iSave as they are exempted from suitability assessment in the light of the Ethical Selling Guidelines issued by Mutual Funds Association of Pakistan ("MUFAP") with the consent of SECP.

4. The Product Suitability Assessment will be conducted by authorized staff of MCB-AH/ Authorised Distributor on transactions received through Physical Application Forms at three (3) stages of transaction processing for the following transactions:

Type of Transactions

- **First investment by new customer**
- **First investment in a CIS by existing customer**
- **First conversion in a CIS by existing customer**

(a) Stage 1: Form Receipt

On receipt of application form for any of the above-mentioned Transaction from the customer, the Sales Staff will ensure that customer's Risk Profiling Questionnaire section of Account Opening Form is duly filled in case of new customer or Risk Profile Score is available in the system for existing customer. In the event where customer has opted to Invest/Convert into a CIS having Higher Risk Profile/ Eligible Score as compared to the respective customer's own Risk Profile / Risk Score, the respective Sales Staff will be required to ensure the following:

(i) Provide awareness to the customer that he/she is investing/converting into a CIS which is Not as per his/her Risk Appetite; and

(ii) Provide awareness to the customer that if he/she wants to continue with the transactions, he/she shall be solely responsible for the transaction and will not hold the Company liable or responsible for these transactions in any manner.

(b) Stage 2: Form Reporting

Upon receipt of application form for any of the above-mentioned Transactions from all Direct/ Indirect Sales Channels, the Investor Services Officer (ISO) will perform scrutiny of the forms to ensure that customer's Risk Profiling Questionnaire section of Account Opening Form is duly filled in case of new customer/ Risk Profile Score is available in the system for existing customer. In the event where customer has opted to invest/convert into a CIS having Higher Risk Profile/ Eligible Score as compared to the respective customer's own Risk Profile / Risk Score, the respective ISO will be required to take following steps in the light of the Risk Based Approach explained in Paragraph No. 2 of Product Suitability Assessment:

(i) In cases where customer has opted to invest in CIS/Administrative Plan having risk profile of Very Low, Low, Medium and Moderate, no action is required before transaction processing. Hence, ISO shall forward the transaction to Unit Holder Accounting ("UHA") Department for further processing. Intimation will be sent to the customer after processing of transaction through either Call, Email, SMS or Letter within cooling-off period.

(ii) In cases where customer has opted to invest in CIS/Administrative Plan having risk profile of High, ISO shall forward the transaction details to Call Centre Team and ask them to take transaction confirmation from the customer through either Call, Email, SMS or Letter within same-day of form receipt.

Transaction will only be forwarded to Unit Holder Accounting ("UHA") Department for further processing once a Positive Confirmation has been received from the customer, else the transaction will be rejected and UHA Department will be asked to refund the amount to the customer.

All Negative Confirmation cases will be immediately reported to the Compliance Department along with transaction details.

(c) Stage 3: Form Processed

The following departments will be involved in monitoring of the transactions with respect product suitability once they are processed:

- **Investor Services Department** will ensure that necessary Product Suitability intimation is sent to the customer as per the Risk Based Approach explained in Paragraph No. 2 of Product Suitability Assessment and all Negative Confirmation cases will be immediately reported to the Compliance Department as and when received along with transaction details.

- **Quality Assurance Department** will make a random review of the confirmation calls being made to the customers and identify shortcomings/ exceptional cases to the Head of Investor Services and Quality Assurance and Head of Compliance.

- **Compliance Department** will review the details of Negative confirmations reported by ISO and shortcomings in CBC reported by Quality Assurance Officer. After review, Head of Compliance will report the matter to Human Resource Department for taking action in accordance with the Ethical Selling Guidelines and for consideration at the time of performance appraisal of the concerned Sales Staff.

  Compliance Department will also review RPQ and Risk Disclosure Statement of the selected customers on regular basis and highlight discrepancies to Head of Sales and Chief Executive Officer of the Company.

- **Risk Management Department** will verify on weekly basis whether the investment of new customers is according to their Risk Profile. Discrepancy, if any, will be reported to Head of Investor Services & Quality Assurance who will resolve the highlighted discrepancy.

- **Internal Audit Department** will perform regular review of product suitability and risk profiling of the customers and submit quarterly report of such reviews to Board Audit Committee.

5. Head of Training and Corporate Communications shall ensure that the sales staff is trained and regularly reminded to undertake reasonable measures to document and communicate product suitability in light of the investment objectives and risk tolerance of every individual customer at the time of new investment and/or any uptick of risk thereof through an investment or conversion transaction.