

### 1. INTRODUCTION

- 1.1 This Code states the core values relating to lawful and ethical conduct of business by every member of the NBFI & Modaraba Association of Pakistan (hereinafter called the (NBFI&MAP)).
- 1.2 This Code lays down the basic principles and sets the overall tone of the expected business conduct. Members are encouraged to maintain more detailed codes to meet the specific requirements of their individual businesses; but such documents must be consistent with this Code.
- 1.3 Requirements of laws and regulations, whether expressed in this Code or not, shall, always have precedence.

### 2. PRINCIPLES GOVERNING BUSINESS CONDUCT

- 2.1 Members' individual and collective reputation for legality and ethical values in the conduct of their business is important in commercial and regulatory terms. The following principles should form the cornerstone of the Members' business policies and dealings:

- Compliance of the legal and regulatory requirements.
- Adhere to the highest standards of integrity and fair dealing.
- Adopt professional skill and prudence in all business activities.
- Promote effective risk management in overall business activities.
- Employ professionals in key positions and encourage professional development within the organisation.
- Encourage and implement the policy of know your customer.

- 2.2 The above should be understood at all levels throughout the Members' organization, so that these principles formulate a behaviour and corporate culture for everyday business.

### 3. LEGAL DISCIPLINE AND RELATIONSHIP WITH REGULATORS

#### **Non-Banking Financial Institutions (NBFIs)**

- 3.1 The Members should follow the laws, rules and regulations and guidelines framed by Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Federal Board of Revenue and the listing regulations of the relevant Stock Exchange as amended, revised or modified from time to time under various notifications, laws, SROs consents and charters. In case of any difficulty, the members should act in close co-operation with the Association.

- 3.2 The Members should operate in particular, their business in accordance with The Companies Ordinance, 1984, The Income Tax Ordinance, 2001, The Leasing Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies & Notified Entities Regulations, 2008, Prudential Regulations for NBFCs and the listing regulations of the relevant Stock Exchange to assist the members and SECP in the implementation of Code of Corporate Governance by creating suitable environment, by providing training and liaison particularly in the areas of Internal Audit, Risk Management and Corporate Affairs. In case of doubt, with respect to the intent, meaning or applicability of the Law or Regulation or otherwise, the Members should refer to the Association, which shall take it up with the relevant authorities for clarification.
- 3.3 The Member as per requirement should submit prompt and accurate returns, statements and statistical reports and all relevant data to the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, the Association and other concerned authorities in accordance with the formats as prescribed by them.
- 3.4 Breaches of the law, regulations or the acceptable business standards are not justified by the pursuit of profit. Nor are such actions acceptable by the market practice. Revenues should be earned by professional enterprise and skill and not by compromising the requirements of law and regulations or at the expense of the Members' collective reputation.

#### **MODARABAS**

- 3.5 The Modarabas shall adopt and carry out their business as laid down by Shariah through the provision of Riba-free transactions and promote only Islamic modes of business and follow honourable practice in the conduct of business.
- 3.6 The Members shall work actively for the eradication of Riba and other un-Islamic modes of practice in their business and shall, if necessary, seek the guidance and opinions of eminent Ulemas / Shariah Scholars / Authorities in close co-operation in consultation with the Association.
- 3.7 The Member shall not consciously conduct and adopt any mode of business which is repugnant to the Shariah and in case of doubt, will refer the matter to the Shariah Advisor through the Association for any clarification, opinion and guidance, who have been appointed by the Association for the facilitation of the Members
- 3.8 The Members shall follow the Modaraba Companies & Modaraba (Floatation & Control), Ordinance, 1980 and The Modaraba Companies & Modaraba Rules, 1981, Prudential Regulations for Modarabas framed by the Registrar Modaraba as amended/revised/modified from time to time under various Notifications, SROs and in case of any difficulty, will refer the matter to the Association for taking up with the relevant authorities.

#### **4. RESPONSIBILITIES OF THE MEMBERS**

- 4.1 Competition amongst Members is encouraged so long as it does not lead to unethical and unfair business practices, such as soliciting business through undercutting, discrediting or misrepresenting.

- 4.2 Members must refrain from saying or doing anything to malign other Members publicly or to the clients in any form or manner and also refrain from making unwarranted and false claims in their advertisements.
- 4.3 Members should promote an atmosphere of congenial relationship among themselves. They should act in close liaison, co-operating and harmony and to safeguard and protect the interests of one another by exchanging and disseminating information, data and statistics on matters for their mutual benefit.
- 4.4 In order to encourage goodwill amongst Members and diversify risks, syndication of leases and other form of transactions should be encouraged in order to improve risk management.
- 4.5 On receiving an offer for syndication financing by a Member from another Member(s), it would be unethical for the former to take away by direct contact with client, partial or full business of the syndication offer or to propose any variations of the terms without the full knowledge and agreement of other syndicate members. .
- 4.6 Members may seek credit referral from fellow Members having an existing relationship with the prospective client. Such query and reference should be treated in the strictest of confidence and in good faith. A Member becoming aware of a customer's requirement, due to credit referral by another Member, should not convert this information to his advantage by approaching the client for soliciting business.
- 4.7 In case of common customers, the Members concerned may exchange information periodically between themselves about the items financed or leased or other business transactions, the amount involved and all relevant information concerning the said customers or lessees.
- 4.8 In case of persistent delinquency, non-cooperation or any other acts which impact on the integrity of the client, the details shall in strict confidence be notified to the Association by concerned Members.

## **5. SERVICE TO CUSTOMERS**

- 5.1 The Members should provide service to the highest-quality within the precepts of good business practices.
- 5.2 A Member should provide a service to a customer only if it has acquired the necessary regulatory license or authority and possesses the expertise of a high standard to do so.
- 5.3 Prior to offering a service, Members should seek from its customers all the information which might reasonably be expected to be relevant to the matter, and act in the light of the customer's financial circumstances and objectives. Letter of offer should only be issued after a decision in principle has been taken to extend the facility.
- 5.4 If delivering advice to clients, Members should ensure that it is clearly expressed and that any reservations to or qualifications of the advice are fairly presented.

- 5.5 For the security of both the customers and the Members, the later should always ensure the completeness of the legal proprietary and documentation before a transaction is entered into.
- 5.6 The Members owe a strict duty of confidentiality to their customers. They cannot disclose to any third party, particulars of the identity or financial, business or personal affairs of a customer, unless:
- disclosure is with the customers prior written consent, or
  - disclosure is compelled by a court or statutory authority of competent jurisdiction, or
  - disclosure is required by law or by regulatory requirements, or
  - disclosure is necessary to protect the rights, interests and assets of the Members
- 5.7 The Association fully supports the international drive against serious crime, especially drug trafficking and terrorism, and is committed to assisting the authorities to identify money laundering transactions and, where appropriate, to confiscate the proceeds of crime. Members should make sure that they are familiar with the obligations imposed by the law and regulatory authorities. The Golden Rule is to “Know Your Customer.”

## **6. MANAGEMENT AND EMPLOYEE BEHAVIOUR**

- 6.1 The Members on best effort basis should ensure that the Code is fully understood and adhered to.
- 6.2 Management and staff must ensure that personal interests do not conflict with the duties which they owe to their organisation or which their organisation owes to its customers. In particular, they should never become personally involved in any transaction, negotiation or contract on behalf of their organisation with an entity in which they or their relative or friend has an interest, without full written disclosure to and prior written approval by the head of the organisation concerned.
- 6.3 Employees of the Members may not (whether personally or for a relative) solicit or accept from, or offer to, an existing or prospective customer, counter-party, supplier or contractor any favour, gift, entertainment or other benefit the size or frequency of which exceeds normal business contact. Nothing may be given or received which might distort commercial judgement or harm the Member’s reputation.
- 6.4 The management and employees of the Members and their spouse and dependent children should never engage in insider trading in securities. This means that they may not deal, or advise or arrange for anyone else to deal, in any shares or other securities listed or traded on a recognized Stock Exchange, if they have information which they know or have reason to believe is non-public price sensitive information relating to those securities or the company concerned. This applies whether they have received the information through their work or from any other source.
- 6.5 The Members should seek to provide the best possible training to their employees and remunerate them suitably. They should encourage a culture which promotes high professional standards and conduct.
- 6.6 Employees of the Members should endeavour to serve their organisations with loyalty, integrity and competence. They should also vow to operate with the strictest of

confidentiality. Employees must at all times offer their full cooperation in performing their duties.

- 6.7 When recruiting staff, Members should obtain for clearance of dues and letter of release from previous employers.

## **7. ARBITRATION AND NOTIFYING BREACHES**

- 7.1 The Members may refer any dispute among themselves to the Association for consideration, arbitration or settlement and should, in a spirit of brotherhood, accept the mode prescribed by the Association for the settlement of their disputes or misunderstandings, in so far as such decisions of the Association do not impinge upon prescribed legalities or judicial considerations.
- 7.2 In case if any Members adopts any unethical practice and / or works in violation of this Code of Conduct then other Member(s) having knowledge thereof shall bring such practice or violation to the knowledge of Chairman of the Association. The Chairman, if considers that evidence is sufficient and conclusive on receipt of the report of violation shall constitute a committee of Executive Committee Members and based on their recommendations will submit his own recommendation to the Executive Committee for taking appropriate action, in strict confidence. In case of unsubstantiated or unfounded information, the Association may take appropriate action against the Member(s).

## **8. GENERAL**

- 8.1 The Members should always abide by the aims and objects and the rules and regulations of the Association, as laid down in its Memorandum & Articles of Association.
- 8.2 The Member should carry out the instructions and directives issued from time to time by the Association, within the framework of the policy laid down by the Government and all relevant authorities, for the smooth functioning and conduct of business of the Members of the Association.
- 8.3 The Executive Committee of the Association will have power to propose any additions, amendments or revisions in the Code of Conduct at any time it finds necessary. The Code of Conduct and any changes will be approved by majority of the Members, either in a Meeting or by circulation.

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