




**THE PAKISTAN CREDIT RATING AGENCY**

**Code of Conduct |  
Employees**

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**THE PAKISTAN CREDIT RATING AGENCY LIMITED**  
Awami Complex, FB-1, Usman Block, New Garden Town Lahore  
Phone: +92 42 3586 9504 - 6  
Web: [www.pacra.com](http://www.pacra.com)

- 1. OBJECTIVE**
- 1.1 PACRA **Employee Code of Conduct** is designed to help bring Employees' conduct in their activities in conformance with applicable framework.
- 1.2 This Code is not an exhaustive list of expected behaviors in every aspect of work, rather together with the PACRA policies and procedures it provides a framework that aids in decision making when faced with personal and ethical dilemmas.
- 2. APPLICABILITY**
- 2.1 The Code is applicable on all Employees.
- 3. SCOPE**
- 3.1 The Code should be read together with all relevant PACRA Policies and Applicable Laws in order to achieve comprehensive understanding. Employees are responsible for reviewing and understanding the Code, the Policies and the Applicable Laws to the extent related to them and their Lines of Business.
- 4. ETHICAL CONDUCT**
- 4.1 Employees shall:**
- 4.1.1 ensure that they remain compliant, wholly and simultaneously, with all Code provisions relevant to the Lines of Business in which they are discharging responsibility at any given point in time.
- 4.1.2 be personally responsible for maintaining the highest levels of integrity to preserve the trust and confidence of all stakeholders.
- 4.1.3 make reasonable efforts to safeguard Business Records and maintain them in their designated location and format in order to ensure preservation, speedy retrieval and prevent breach of confidentiality.
- 4.1.4 use Company resources, including time, equipment, materials, resources and information, solely for discharging their job responsibility.
- 4.1.5 fulfill their obligations in a fair, efficient, transparent and ethical manner and render high standards of services in performing its functions and obligations; [CRC Regulations, 2016:11(A)(a)]
- 4.1.6 maintain sufficiently high level of analytical and monitoring standards and possess the requisite skill and expertise; [CRC Regulations, 2016:11(A)(d)]
- 4.1.7 assist investors and other users of rating in developing a greater understanding of the rating by disclosing in plain language among other things, the nature and limitations of the ratings and the risk of unduly relying on them to make investment or other financial decisions; [CRC Regulations, 2016:11(A)(f)]
- 4.1.8 engage with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; [CRC Regulations, 2016:11(A)(j)]
- 4.1.9 clearly indicate the attributes and limitations of each rating and to the extent to which it has verified information provided by the rated entity; [CRC Regulations, 2016:11(A)(p)]
- 4.1.10 refrain from soliciting money, gifts or favors from anyone with whom the credit rating company conducts business; [CRC Regulations, 2016:11(A)(q)]

- 4.1.11 observe a period of minimum two years between the notification of the unsolicited rating and acceptance of the assignment of the solicited rating, where an unsolicited rating becomes a solicited rating; [CRC Regulations, 2016:11(A)(s)]
- 4.1.12 ensure that any advertisement is written in clear language and is not such which may prejudice interest of any person or investors in general; [CRC Regulations, 2016:11(A)(t)]
- 4.1.13 take measures to protect its property and records belonging to or in possession of the credit rating company from fraud, theft or misuse; [CRC Regulations, 2016:11(D)(d)]
- 4.1.14 be held to the highest standards of integrity and ethical behavior, and the PACRA should have policies and procedures in place that are designed to ensure that individuals with demonstrably compromised integrity are not employed. [IOSCO Code of Conduct Fundamentals, 2015:1.19]
- 4.1.15 must sign the Non-Disclosure Agreement (NDA) at the start of employment at PACRA. [CRC Regulations, 2016: Annexure I- 2]

**4.2 Employees shall not:**

- 4.2.1 create / destroy or participate in the creation / destruction of any records that are intended to misrepresent and / or mislead anyone or conceal anything from their rightful recipient.
- 4.2.2 handle or save any personal data on company's devices. They should not share their passwords with anyone for access to any of company's data, applications, and reports. Further, they should not attempt to disable or evade the operation of company-installed information protection security features such as network access protocols, virus protection, downloading and software / hardware addition / deletion restrictions. Moreover, they should safeguard the laptops, smartphones or any other technology resources provided to them by the company and be cautious to prevent such technology resources from being lost, stolen or access by an unauthorized person.
- 4.2.3 communicate the information, acquired by them for use for rating purposes, to any other person except where required under law to do so. [CRC Regulations, 2016:10(5)]
- 4.2.4 make unsubstantiated claims, in order to induce customers, about qualifications of PACRA's professional staff or its capabilities to render certain services or its achievements concerning services rendered to other customers; [CRC Regulations, 2016:10(7)(g)]
- 4.2.5 get involved in acts of frauds, misrepresentations, oppressive or unethical practices, nor shall solicit the customers of any other rating company on implicit or explicit assurance of higher rating or any other undue benefit; [CRC Regulations, 2016:10(7)(h)]
- 4.2.6 publish, circulate or distribute any advertisement or any information which is false, misleading or deceptive; [CRC Regulations, 2016:10(7)(i)]
- 4.2.7 willfully make false statements or conceal any material fact in any document, report or statement furnished to the Commission; [CRC Regulations, 2016:10(7)(j)]

- 4.2.8 make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating; [CRC Regulations, 2016:10(7)(k)]

## **5. QUALITY OF RATING PROCESS**

### **5.1 Rating Employee shall:**

- 5.1.1 meet the fit and proper criteria by analysts as stipulated in Policy “*Disclosure of Conflict of Interest by employees*”.
- 5.1.2 surrender all rights to PACRA for the work performed by them such that PACRA owns all copyrights and know-how associated with such work and reserves the right to display, edit, maintain, destroy and sell it in any manner it deems appropriate.
- 5.1.3 whenever referencing / using third-party copyrighted material in their work, acknowledge the use of such material by giving due credit, and, if required, obtain the consent, in writing, of the original owner.
- 5.1.4 follow the defined rating criteria, methodologies and procedures carefully, uniformly and in a consistent manner; [CRC Regulations, 2016:11(C)(d)]
- 5.1.5 ensure that ratings shall reflect the consideration of all information known and believed to be relevant, of sufficient quality, and from reliable sources.
- 5.1.6 shall not initiate, or participate in, discussions regarding fees or payments with any entity or any third party related to that entity or a particular transaction.
- 5.1.7 ensure that rating decisions are consistent with the methodologies, procedure and process used in the rating; [CRC Regulations, 2016:11(C)(m)]
- 5.1.8 ensure that proper record of meetings of rating committee including detailed minutes and its rating decisions are maintained along with rationale for assigning the rating, which shall be available for review and inspection by the Commission; [CRC Regulations, 2016:11(C)(n)]
- 5.1.9 keep the following records in support of each credit rating and review thereof:
- i. summary of discussions with the issuer, its management, auditors and creditors which have a bearing on the credit rating;
  - ii. decisions of the rating committee, including voting details and notes of dissent, if any, by any member of the rating committee; and
  - iii. where a quantitative model is a substantial component of the rating process, rationale for any material difference between the rating implied by the model and the rating actually assigned. [CRC Regulations, 2016:11(C)(o)]
- 5.1.10 ensure that record of all ratings whether active, withdrawn or matured, is maintained for a period of not less than ten years and in case of instrument rating/grading, the time period of ten years shall be reckoned from the date of maturity of such instrument; [CRC Regulations, 2016:11(C)(p)]
- 5.1.11 submit their initial analysis reports along with the initial indicative ratings to the rating committee. [CRC Regulations, 2016:11(C)(t)]
- 5.1.12 not, either implicitly or explicitly, give any assurance or guarantee to an entity subject

to a rating action, obligor, originator, underwriter, arranger, or user of the PACRA's credit ratings about the outcome of a particular credit rating action. This does not preclude the PACRA from developing preliminary indications in a manner that is consistent with Provisions 1.22 and 2.6(d) of the IOSCO CRA Code. [IOSCO Code of Conduct Fundamentals, 2015:1.20]

- 5.1.13 not make promises or threats about potential credit rating actions to influence rated entities, obligors, originators, underwriters, arrangers, or users of the CRA's credit ratings (e.g., subscribers) to pay for credit ratings or other services. [IOSCO Code of Conduct Fundamentals, 2015:1.21]
- 5.1.14 not make proposals or recommendations regarding the activities of rated entities or obligors that could impact a credit rating of the rated entity or obligation, including but not limited to proposals or recommendations about corporate or legal structure, assets and liabilities, business operations, investment plans, lines of financing, business combinations, and the design of structured finance products. [IOSCO Code of Conduct Fundamentals, 2015:1.22]
- 5.1.15 rating employees shall not join, within one year of the relieving from credit rating company, any entity rated by such analyst. [CRC Regulations, 2016: Annexure I- 3 (iv)]

## 6. CONFLICT OF INTEREST

- 6.1 Employees shall not hold or transact in trading instruments presenting a conflict of interest with PACRA. [CRC Regulations, 2016:10(7)(b)]
- 6.2 An analyst or employee shall not have a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; [CRC Regulations, 2016:11(A)(r)]
- 6.3 Rating Analysts shall ensure that PACRA has included a statement in each rating report that PACRA, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the rating done by them. [CRC Regulations, 2016:12(2)(e)]
- 6.4 An analyst or any of his family members have any interest in a rating, shall not be involved in such rating process; [CRC Regulations, 2016:12(2)(j)]
- 6.5 The analysts and members of the rating committee including the external members shall submit statement about all the conflicts of interest, including those of their family members, if any, to the officer designated by PACRA for the purpose; and  
Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee; [CRC Regulations, 2016:12(2)(k)]
- 6.6 The analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. [CRC Regulations, 2016:12(2)(l)]
- 6.7 Rating Analysts shall disclose, before commencement of the rating process, relationship, if any, with the rating entity or any of its substantial shareholder and director or any other interest in the entity to the officer designated by the PACRA for

this purpose. [CRC Regulations, 2016: Annexure I- 3 (iii)]

- 6.8 Employees should use care and professional judgment to maintain both the substance and appearance of the PACRA's and its employees' independence and objectivity. [IOSCO Code of Conduct Fundamentals, 2015 :2.2]
- 6.9 An employee who becomes involved in a personal relationship (including, for example, a personal relationship with an employee of a rated entity, obligor, or originator, or the lead underwriter or arranger of a rated obligation) that creates an actual or potential conflict of interest is required under the PACRA's policies, procedures, and controls to disclose the relationship to the compliance officer. [IOSCO Code of Conduct Fundamentals, 2015:2.17]
- 6.10 An employee shall not participate or otherwise influence the determination of the PACRA's rating of any particular entity or instrument, if he/she;
  - 6.10.1 owns securities of such entity, other than holdings in diversified collective investment schemes; [CRC Regulations, 2016: Annexure I- 3 (ii)(a)]
  - 6.10.2 owns securities of any entity related to such rated entity, the ownership of which may cause or may be perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes; [CRC Regulations, 2016: Annexure I- 3 (ii)(b)]
  - 6.10.3 has had a recent employment or other significant business relationship with such rated entity that may cause or may be perceived as causing a conflict of interest; [CRC Regulations, 2016: Annexure I- 3 (ii)(c)]
  - 6.10.4 has an immediate relation (i.e., a spouse, partner, parent, child, or sibling) who currently works for such rated entity; or [CRC Regulations, 2016: Annexure I- 3 (ii)(d)]
  - 6.10.5 has, or had, any other relationship with such rated entity directly or indirectly that may cause or may be perceived as causing a conflict of interest. [CRC Regulations, 2016: Annexure I- 3 (ii)(e)]

## **7. Confidentiality**

### **7.1 Employees shall:**

- 7.1.1 while collecting, using, transferring and disclosing Employee personal data for the purpose of discharging their job responsibilities shall exercise caution to safeguard and maintain the confidentiality of such information.
- 7.1.2 safeguard the confidentiality of PACRA's trade secrets and proprietary information (*proprietary models / programs, product designs, business plans*) during the tenor of their employment at PACRA and perpetually thereafter.
- 7.1.3 Not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer. [CRC Regulations, 2016:10(7)(d)]
- 7.1.4 ensure strong firewalls to prevent disclosure or use of the said non-public information by the related parties or their personnel in cases where a credit rating company is a parent, subsidiary, joint venture partner or affiliate of any organization that might benefit from the non-public information available with the credit rating company;



[CRC Regulations, 2016:11(A)(m)]

- 7.1.5 except as required under these regulations and without obtaining prior written approval of its customers, not share with or disclose to media or any other party including its other customers, any confidential information about its customers, which has come to its knowledge in the course of the rating process; [CRC Regulations, 2016:11(A)(o)]
- 7.1.6 not share the non-public information known to them due to their position in the credit rating company with outsiders and irrelevant employees; [CRC Regulations, 2016: Annexure I- 3 (i)(a)]
- 7.1.7 not use such non-public information for their personal benefits or for the benefits of any of their relatives, friends and associates or for any other purpose except the conduct of the credit rating company's business; [CRC Regulations, 2016: Annexure I- 3 (i)(b)]
- 7.1.8 not disclose any non-public information about rating opinions or possible future rating actions by the credit rating company, except to the rating entity/issuer or its designated agents; [CRC Regulations, 2016: Annexure I- 3 (i)(c)]
- 7.1.9 not disclose any confidential information about its clients, which has come to their knowledge in the course of the rating process, to any person including other clients and press without prior written approval of such client, except when such disclosure is required under any law; [CRC Regulations, 2016: Annexure I- 3 (i)(d)]
- 7.1.10 not use or share confidential information for the purpose of trading in securities or for any other purpose except the conduct of the credit rating company's business; and [CRC Regulations, 2016: Annexure I- 3 (i)(e)]
- 7.1.11 fully adhere to the credit rating company's policy for trading in securities by its employees. [CRC Regulations, 2016: Annexure I- 3 (i)(f)]

## **8. CODE ADMINISTRATION**

- 8.1 **Interpretation:** Competent Authority is responsible for interpreting and applying the Code to specific situations when questions arise.
- 8.2 **Review:** Compliance Officer would review this code (on annual basis) for its appropriateness and sufficiency. However, any change regarding applicable legislation shall be immediately updated. M/s Grant Thornton Anjum Rahman, Chartered Accountants (GTAR), would review the actual applicability of this code on semi-annual basis.
- 8.3 **Approval:** This Code is approved by the Board of Directors and the CEO is authorized to sign it.
- 8.4 **Investigations of Suspected Violations:** All reported violations shall be promptly investigated and treated confidentially to the extent reasonably possible.
- 8.5 **Disciplinary Protocol:** Compliance with all Codes of Conduct and PACRA Policies, including this Code, is a condition for employment.—Compliance with the Codes and PACRA Policies shall be monitored on periodic basis:
  - *Those who come within the bounds of this Code shall cooperate fully to provide truthful, accurate information*
- 8.6 **Dissemination:** This code shall be shared with Board Members.