



STOCKBROKERS CRIME AND PROFESSIONAL LIABILITIES PROPOSAL FORM

Answer all the questions. If you answer any question in relation to a control or procedure as "no" please provide details of any alternative control procedure you have in place. If the question is not applicable please indicate as such and do not leave the answer blank. If there is insufficient space on the form to fully answer any question please provide full details by way of attachment to this Application. All of the information that the applicant provides will become part of the policy. Any misrepresentation, omission, concealment or incorrect statement of a material fact in this Application will be grounds for decision.

DISCLOSURE- It is your duty to disclose material information:

1. Prior to inception or renewal of the policy, and
2. At such time you request a change to the policy terms and conditions, and
3. At such time any specific policy condition requires you to disclose such material information e.g. including but not limited to Merger or Change in Ownership or Control of the Business Activities.

NOTE - THE TERM "YOU" AS USED THROUGHOUT THIS APPLICATION FORM MEANS THE APPLICANT, ALL SUBSIDIARIES AND ASSOCIATED COMPANIES FOR WHICH COVER IS REQUIRED, AND ALL PRESENT AND PAST DIRECTORS, OFFICERS AND PARTNERS.

A. PARTICULARS OF APPLICANT

1. State the name of the Applicant : _____
2. Principal Address : _____
3. Date Established : _____

4. Please list your subsidiary and associated companies for which cover is required including country of registration and percentage owned by the Company;

<u>Subsidiary Company</u>	<u>Country of registration</u>	<u>% owned</u>
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5. With respect to ownership

(a) are you:

- | | | | |
|----------------------|-------|------------------------------|-----------------------------|
| (i) public? | | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (ii) private? | | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (iii) a partnership? | | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (iv) listed? | | <input type="checkbox"/> yes | <input type="checkbox"/> no |

- (b) has there been any change of control, merger, purchase or acquisition of assets or liabilities within the last three (3) years? yes no

If yes, please attach a schedule indicating the transfer(s) made, date(s),

and individual(s) or organizations involved

6. State the names of any shareholders that own 5% or more of the voting shares directly or beneficially. Indicate if any of these shareholders are directors or officers of the Applicant.

<u>Name</u>	<u>Percentage Holding</u>
_____	_____
_____	_____
_____	_____

7. (a) Have you made public that you have under consideration any acquisitions, mergers or tender offers? yes no
- (b) Are you intending a new public offering of securities within the next year? yes no
- If yes to any of these, please state full details:

8. Have all present Directors and Officers of the Applicant a minimum of 7 years' experience in a senior management position within a financial institution (including the time spent with the Applicant)? yes no

If yes, is this experience relevant to the position that they now hold with the Applicant? yes no

If the answer to either of the above questions is no, by attachment provide the CV's of the relevant Directors and Officers.

9. State for the last two years your

	<u>Most recent</u>	<u>Prior</u>	<u>Projected</u>
Revenue/Fee Income	_____	_____	_____
Net Profit	_____	_____	_____
Assets	_____	_____	_____

10. Indicate what percentage of your revenues are derived from the following services/activities:

(a) Broker (Agent)	(i) execution only	_____ %
	(ii) with advice	_____ %
(b) Dealer (Principal)		_____ %
(c) Portfolio Management	(i) Discretionary	_____ %
	(ii) non-discretionary	_____ %
(d) Investment Advice		_____ %
(e) Mergers and Acquisitions - number of transactions		_____ %
(f) Underwriting - number of transactions		_____ %
(g) Other		_____ %

If necessary, please provide, on a separate sheet, full details, including scope of services and percentage of revenues derived from such activity.

11. Indicate what percentage of your revenues are derived from the following Distribution channels:

- (a) Banks _____ %
- (b) Internet _____ %
- (c) Direct from Public _____ %
- (d) Other _____ %

If necessary, please provide full details on a separate sheet.

12. Indicate what percentage of your revenues are derived from the following products:

- (a) Listed Stocks and Bonds _____ %
- (b) Mutual Funds _____ %
- (c) Unlisted Stocks or Bonds _____ %
- (d) Futures/Options _____ %
- (e) Non-exchange traded derivatives _____ %
- (f) Other (please specify) _____ %

13. (a) How many branches do you have? _____
(b) How many of these are one-person offices? _____

14. What percentage of clients are:

- (a) Individual _____ %
- (b) Institutional/Corporate _____ %

15. Do you allow any client to undertake Day Trading (for their own account) either on the Applicants premises or via the Internet or home personal computer? yes no

If yes, please confirm:

(a) number of clients _____

(b) daily volumes traded _____

(c) that the client agreement includes a statement as to the Applicants liability with regards to service availability yes no

(d) that the client agreement includes a statement as to risks involved in the activity undertaken by the customer and that the Applicant assumes no liability for any losses resulting from the trades undertaken by the client yes no

16. Do you publish any type of investment newsletter or similar periodical? yes no

If yes, is this service rendered under contract? yes no

If yes, do these contracts provide indemnity and/or limitations to the Applicants liability yes no

17. State the number of employees divided as follows;

(a) Directors/Partners _____

(b) Registered Exchange Representatives and Floor Assistants _____

(c) Internal Audit - Qualified Staff _____
- Unqualified Staff _____

(d) Settlement Employees _____

(e) Other _____

18. During the last twelve months:

(a) how many Directors/Partners have (i) been hired? _____
(ii) left your employment? _____

(b) how many employees have (i) been hired? _____
(ii) left your employment? _____

B. EMPLOYEES

19. Do you have established formal procedures for recruiting all employees and assessing their suitability for positions of trust? If yes, does this include: yes no
- (a) Taking up written references from previous employers (at least previous two if more than two) yes no
- (b) Verification of qualifications yes no
- (c) All gaps in employment history fully investigated yes no
- (d) Reference to the regulator (where applicable) to confirm suspensions or investigations yes no
- (e) Credit reference check yes no
- (f) Criminal history check yes no

Are all prospective employees subject to the same review? If no, please describe any limitations: yes no

20. Are registered representatives prohibited from working for any other firm? yes no
21. Are all employees required to take an uninterrupted holiday of at least two weeks or half their annual entitlement (whichever is the lesser) in each calendar year during which they perform no duties, are required to stay away from the Applicants premises and not to access the Applicants Computer systems? yes no

C. BANKING

22. Are monthly bank account statements and cancelled cheques examined and reconciled to general books and cash disbursement records by persons other than those who keep such books and records? yes no
23. Do you have a specific agreement with their bank as to whom in the firm is authorised to:
- (a) transfer funds?..... yes no
- (b) request changes in procedures or arrangements?..... yes no
- (c) obtain records?..... yes no
- (d) handle transactions on the firm's behalf?..... yes no

24. Is it prohibited for any one individual have the authority to operate your bank account or make changes to your bank mandate without a countersignature from a second person?.... yes no
25. (a) Do you require countersignature on all cheques and payment instructions? yes no
 If yes, are all countersignatures made by a person who
 (i) did not request the payment yes no
 (ii) did not raise the cheque yes no
 (iii) was not involved in the transaction giving rise to the payment yes no
- (b) Is supporting evidence provided to signatories for all cheques? yes no

NB - Insurers require that questions (a) and (b) be answered in the affirmative. This is a condition precedent to any liability under the policy.

26. Are all open balances of whatever nature reconciled and checked against each exchange account by an independent partner, director or senior manager? yes no
27. Is it prohibited to ever advance money to clients against securities? yes no
 If no, is this authorised by an independent partner, director or senior manager? yes no
28. Do you issue funds transfer instructions using the following methods:
- (a) Tested Telex..... yes no
 (b) Test Telefacsimile..... yes no
 (c) Voice initiated..... yes no
 (d) On-line cash management system..... yes no

Which of the following methods do you use to secure funds transfer instructions:

- | | |
|---|---|
| <input type="checkbox"/> Passwords | <input type="checkbox"/> Encryption |
| <input type="checkbox"/> Message Authentication | <input type="checkbox"/> Call back |
| <input type="checkbox"/> Code Words | <input type="checkbox"/> Electronic Signature (PKI) |
| <input type="checkbox"/> Test Key | <input type="checkbox"/> Other (provide details) |

D. TRADING

29. Do customers sign a written contract with you? yes no
 If yes:
 (a) Does this include an arbitration agreement? yes no
 (b) Does this define your responsibilities and specifically indicate the nature of the relationship and type of service to be provided by you? yes no
30. Does a partner, director or senior manager authorize all new client accounts? yes no
31. Do you take up a reference from the Stock Exchange Mutual Reference scheme along with a bank reference for all new clients? yes no
32. Do you provide "with advice" execution services (Question 10a (ii)), Portfolio Management (Question 10c (i) or (ii)), or Investment Advice (Question 10d)? yes no
 If yes,
 (a) In respect of "with advice" execution, Portfolio Management and Investment Advisory customers:

- (i) Do all customers complete a questionnaire or other written document which clearly identifies and states the customer's investment objectives? yes no
- (ii) Do you recommend investment areas other than commonly traded securities? yes no
If yes, please describe the specialty area, state its percentage of total investment assets and geographical locations if applicable:

- (iii) Do you have procedures in place for:
- (1) Monitoring product suitability with respect to customer accounts? yes no
- (2) Monitoring volume of transactions with respect to customer accounts? yes no
- (3) Ensuring that transactions are in accordance with the customer's investment objectives and sophistication? yes no
- (b) In respect to Portfolio Management and Investment Advisory customers:
- (i) How often are customer meetings held?
o Once a month o Once a quarter
o Once a year o Question Not Applicable
- (ii) Whether or not any transactions have occurred do customers receive a portfolio statement at least annually? yes no n/a
- (c) In respect of Portfolio Management customers, do you recommend the use of derivative instruments as part of your portfolio management? yes no n/a
If yes, please describe the types of derivative instruments used, their purpose, the amounts and valuation procedures utilised: yes no n/a

33. Do clients receive a portfolio statement or trade statement within two weeks of any transaction? yes no
34. Do you have a formal, documented dispute resolution procedure? yes no

35. Complaints

- (a) How many complaints were received in the past 12 months? _____
- (b) What percentages of these were unresolved after 60 days? _____
- (c) What percentage remains unresolved? _____

36. Please describe the disciplinary measures taken against any employees with multiple customer complaints:

37. Are trading limits placed on employees? yes no

If yes,

- (a) Are these limits monitored? yes no
If yes, with what frequency?
o Real time o End of day
o Weekly o Other (please describe) _____
- (b) In the past 12 months, how often were these limits exceeded? _____
- (c) If the limits are exceeded does the system block the trade? yes no
- (d) If the limits are exceeded does the system automatically flag this up to senior management? yes no
- (e) How often are the authorised limits reviewed? _____

38. Are contract notes and bargain slips examined daily by a partner, director or senior manager, approved and signed, then passed directly to the Postal Department for dispatch? yes no

39. Is there a check to ensure that a bargain slip has a contract note issued? yes no

40. Do you clear your trades via the central securities depository? yes no
If no, do you clear your own trades? yes no
If no, please provide details of the clearing firm and your relationship with them:

41. Are partners, directors or employees permitted to hold accounts with the Applicant? If yes, yes no

(a) Are partners, directors and employee accounts segregated and reviewed for unusual activity? yes no

(b) Do partners, directors and employee accounts require specific approval by an independent designated senior officer prior to each trade? yes no

(c) Are partners, directors and employees permitted to trade on margin for their own accounts? yes no

42. Do you permit clients to issue trade instructions by telephone? yes no
If yes,

(a) Do all clients to whom this facility is available complete written agreements that outline legal responsibilities, and identification procedures? yes no

(b) What are the identification methods?

(i) Password..... yes no

(ii) Call-back..... yes no

(iii) Pin number inserted into phone key pad..... yes no

(iv) Voice identification..... yes no

(v) Personal questions..... yes no

(vi) Other (please describe) _____ yes no

(c) Are specific partners, directors or employees authorised to accept such instructions? yes no

- (d) Are all conversations recorded? yes no
43. Do you permit discretionary client accounts? yes no
If yes,
- (a) Is settlement for all discretionary client accounts either cash against delivery or settlement on account days? yes no
- (b) is it prohibited for any discretionary client account to be under the exclusive control of one partner, director or employee? yes no
- (c) are mandates obtained and reviewed at least annually by a partner, director or senior manager? yes no
- (d) are all transactions under the immediate supervision of a partner, director or senior manager? yes no
- (e) is a register of employees who have dealing authority on discretionary accounts maintained? yes no

E. UNDERWRITING AND MERGERS AND ACQUISITION ACTIVITY

44. Has the Applicant provided any underwriting services in the last two (2) years? yes no
If yes,
- (a) has this service included the following
- (i) Negotiated Underwriting (advising client on the type of security to issue)... yes no
- (ii) Prospectus Drafting and issuance yes no
- (iii) Security distribution yes no
- (iv) Standby, Best Effort and All or none Underwriting yes no
- (b) What types of issues have been made and what was the total value
- (i) IPO _____ yes no
- (ii) Other _____ yes no
45. Has the Applicant provided any Mergers and Acquisition services in the last two (2) years? yes no
If yes, please provide following details:

<u>Offeror</u>	<u>Offeree</u>	<u>Outcome</u>	<u>Offer Value</u>
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F. GENERAL

- 46 Do you have a rule book(s) or written instructions covering all aspects of your business that clearly define the duties of each employee? yes no
If yes, is the attention of each employee drawn to these instructions and to their duty of compliance therewith? yes no
- 47 Are the duties of each employee arranged so that no one employee is permitted to control any transaction from commencement to completion? yes no

- 48 Is a system of joint custody* and or dual control** maintained over:
- (a) cash? yes no n/a
- (b) cheques? yes no
- (c) securities? yes no n/a
- (d) keys? yes no
- (e) codes, cyphers and test keys? yes no n/a
- (f) access to safes and safe deposit boxes? yes no
- (g) blank cheques? yes no n/a
- (h) facsimile signature machines? yes no n/a
- (i) the addition of new employees to the payroll list and the reconciliation of salary payments to that list? yes no
- (j) other valuable or potentially valuable property? yes no n/a

*"Joint Custody" means the handling of the above in the presence of, and under the observation of, at least one other person, said person being equally accountable for the physical protection and safeguarding of the various items or records involved . Locks and combinations on vaults and safes must be so arranged that no one person can open them alone.

**"Dual Control" means the work of one person in processing transactions being verified by a second person and both sharing the accountability.

G. COMPUTERS AND DATA

- 49 Do you have a written IT security policy*? yes no
If yes, does this cover;
- (a) All software and hardware, including communications equipment and other associated specialised devices? yes no
- (b) All manual processes associated with the computer operations? yes no
- (c) All associated documentation? yes no
- (d) All people associated with the system i.e. those that operate it, use it, are responsible for it, maintain and service it? yes no
- (e) The buildings, utilities, communication links and the physical housing of all computer components? yes no
- (f) Assignment of responsibility for security? yes no

*an IT Security policy should comprise of rules, regulations and practices which make up the way in which electronic data is to be protected from loss, corruption

or unavailability. It should address all forms of that data and all aspects of its control.

- 50 Have you designated a System Security officer, who is charged with the responsibility for the implementation and administration of data security? yes no
If yes, to whom does the Data Security Officer report? _____
- 51 Do you maintain:
- (a) A computer system security log that records against time and dates and in sufficient detail any incident that might have an effect on system security? yes no
- (b) An engineering log, which records against time and dates when the computer system has received attention and what work, was carried out? yes no
- 52 Are all source documents secured to prevent unauthorized modification or use of data before entering the computer system? yes no
- 53 Are passwords used to afford varying levels of entry to the computer system depending on the need and authorisation of the user? If yes, yes no
- (a) How often are passwords changed? _____
- (b) Are passwords changes forced by the system? yes no
- (c) Are passwords regularly changed where this is any turnover in knowledgeable personnel? yes no
- (d) What is the minimum password character length? _____
If passwords are not used, describe the alternative method(s) used.
-
- 54 Do you have a disaster recovery programme? yes no
If yes, when was it last tested?
-
- 55 Do you have a continuous Data Processing audit programme in operation? yes no
If not, please indicate the scope of the current Data Processing audit.
-
- 56 Do you allow remote access to your computer system? yes no
If yes,
- (a) Does all remote access to your computer system pass through a firewall* installed on your computer system? yes no
- *Firewall means a dedicated gateway machine with special security protections on it, used to serve outside networks (especially Internet connection and dial-in lines).
- (b) Have you carried out a review of the firewall configuration and ensured that all ports other than those that are required to be open, are closed? yes no
If yes, was this review carried out by an IT professional who was familiar with the Firewall? yes no
- (c) Do you have established clear authority as to who is authorised to make changes to the firewall configuration? yes no
- (d) Do you permit remote access to your computer system via the Internet? yes no
If yes, are the firewalls configured to prevent IP "spoofing"*** through validation of source address and force port matching***? yes no

**IP "spoofing" is where a person amends the Transmission Control Protocol (TCP) header information on a packet so as to cause a system to authenticate such packet believing it is from a host other than the one from which it originated.

***"forced port matching" means the firewall ensures that the requested port is the proper port for the given service or function.

- (e) Do you have network-based intrusion detection software installed? yes no
If yes,
 - (i) Is the monitoring of this software contracted out to a third party? yes no
 - (ii) Does the intruder detection system maintain event logs that enable the system administrator to analyse the attack? yes no
 - (iii) How many scans have been detected in the last month? _____
 - (iv) How many successful intrusions have been detected? _____
 - (v) Have you contracted with a third party service provide to intrusion testing services on an ongoing basis? yes no

- 57 Do you allow customer access to your system via the Internet or employee access to the Internet? If yes, yes no
 - (a) Have you established a DMZ*? yes no
 - (b) Is all WAN** traffic and sensitive Internet traffic encrypted? yes no

*DMZ means Demilitarised Zone which is the area of an organisations network which is open to the public over the Internet and is separated from the organizations private network by a firewall.

**WAN means Wide Area Network.

- 58 How many file generations are stored and secured off-site from the main data centre in restricted area and how often are these up-dated?

H. SECURITIES

- 59 Do you hold any securities on your premises? If yes, yes no
 - (a) Please indicate the MAXIMUM value of securities held by the Applicant:
Negotiable £ _____ non Negotiable £ _____
 - (b) How often are all securities physically counted and verified with stock or bond records?
 - (i) Daily..... yes no
 - (ii) Weekly..... yes no
 - (iii) Bi-weekly..... yes no
 - (iv) Monthly..... yes no
 - (v) Other greater than a month..... yes no
 - (c) Do employees other than those whose duties involve handling securities perform this verification? yes no
 - (d) Please indicate the MAXIMUM amount of securities in transit at any one time with :

- (i) employees Negotiable £ _____ non Negotiable £ _____
- (ii) third party service Negotiable £ _____ non Negotiable £ _____

I. OUTSIDE CONTRATORS

- 60 Do you utilize third party service providers for any of the following services?
- (a) Data processing? yes no
- (b) Clearing? yes no
- (c) Electronic computer instruction or program preparation? yes no
- (d) Computer system security? yes no
- (e) Physical security (including transit of securities)? yes no
- Do you carry out a due diligence review prior to engaging any of the above service providers? yes no
- 61 Do you provide Data Processing Services for any other organization? yes no
If yes, please provide details.
-
- 62 For all the above services are they rendered pursuant to a written agreement? yes no
If yes, do all contracts provide indemnity and or limitations to the Applicants liability? yes no
- 63 Are all service bureaux used to maintain separate fidelity, and error and omission insurance? yes no
If yes, for what minimum amount?
-

J. REGULATION AND AUDIT

- 64 **Regulation**
- (a) To which regulatory authorities are the Applicant and those subsidiaries for which cover is requested accountable?

- (b) Do you have a Compliance Officer? yes no
If yes, state his/her duties and to whom, they report.

Attach the CV of your Compliance Officer.

- (c) During the last three (3) years, have you complied with all criticisms made by the regulator and or exchange authority? yes no
If no, please explain:
-

- (d) Are you in full compliance with the ASE, ASDX and Capital Markets Committee Regulations? yes no

65 **Internal Audit**

- (a) Is the auditors position full time? yes no
- (b) Does the auditor report directly to the Board of Directors or Partners? yes no
- (c) Is the auditors duties separate from the auditing services provided by the External Auditor? yes no
- (d) Is the person responsible for the auditing forbidden to originate entries? yes no
- (e) Are the people responsible for auditing free of all other operational responsibilities? yes no
- (f) Are all premises, including computer centres and facilities audited annually? yes no
- (g) Are audits made on a surprise basis? yes no
- (h) Is there an "audit and control procedure" manual? yes no
- (i) Is there a formal written audit programme? yes no
- (j) Is there a continuous audit programme in operation? yes no
- (k) Are there procedures for follow up and monitoring of audit recommendations to ensure full implementation? yes no

66 **External Audit**

- (a) Has the external auditor rendered an unqualified opinion for each of the last three (3) years? yes no
- (b) Has there been any change in the external auditor used in the last three (3) years?
If yes, please explain reason for the change:

- (c) Does the external auditor review the system of internal controls and furnish written reports? yes no
- (d) Has the external auditor made any recommendations in the last two audits? yes no
If yes, state recommendations and confirm that they have been adopted. If not adopted, please give reasons for not doing so.

- (e) Are all the locations audited? yes no

67 **Ethics**

- (a) Do you have a written code of ethics encompassing all partners, directors and employees? yes no

- (b) Are all partners, directors and employees required to agree in writing that they have read and are abiding by said code? yes no
- (c) Do you require all partners, directors and employees to declare their outside business interests and specify relationships which could lead to possible conflicts of interest? yes no

K. LOSS EXPERIENCE

68 **Note- If D & O insurance is being purchased "you" as used in this section shall include specifically, present and past Directors and Officers.**

Please give details of any loss, demand or claim made/sustained by you or made against you (whether insured or uninsured) during the past FIVE YEARS which would have impacted upon the coverage you are now seeking had it have been in force at the time of such loss or losses.

Nature of Loss/Demand	Date of Discovery or receipt of demand	Amount (Actual or Estimated)
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Attach full details of the circumstances surrounding each loss/claim and the corrective measures taken to prevent reoccurrence.

L. DISCLOSURE

Note- If D & O insurance is being purchased "you" as used in this section shall include specifically, present and past Directors and Officers.

69 Has any application made by you or your predecessors in business, for insurance that is the subject of this Application, ever been declined or non-renewed by an insurer? If yes, state type of insurance and the reasons for declination. yes no

70 Has any Policy of Insurance, that is the subject of this Application, in your name or your predecessors in business ever been cancelled by an insurer? If yes, state type of Insurance and the reasons for cancellation. yes no

71 Have you any knowledge or information, after full enquiry, of any circumstances whatsoever that might give rise to losses being discovered by or claims being made against you? If yes, give details yes no

72 Are you currently involved in any litigation as a defendant? If yes, give details yes no

73 During the last 5 years have you received any admonishment or critical directive from any regulatory authority? If yes, give details yes no

SIGNING THIS PROPOSAL DOES NOT BIND THE APPLICANT TO COMPLETE THIS INSURANCE.

DECLARATION

We declare that the statements and particulars in this proposal are true and that no material facts have been mis-stated or suppressed after enquiry. We agree that this application, together with any other information supplied shall form the basis of any contract of insurance effected thereon. We undertake to inform Insurers of any material alteration of those facts occurring before completion of the contract of Insurance.

A material fact is one which influences the acceptance or assessment of the risk.

For and on behalf of all Applicants:

Signed	:	_____	Signed	:	_____
Title	:	_____	Title	:	_____
Date	:	_____	Date	:	_____
Company	:	_____	Company	:	_____

Enclose with this Application

	Attached?	
Your latest Annual Report & Accounts or audited Financial Statement	<input type="checkbox"/> yes	<input type="checkbox"/> no
CV's of all directors and officers (as applicable) – Question 8	<input type="checkbox"/> yes	<input type="checkbox"/> no
CV of Compliance Officer – Question 64 (b)	<input type="checkbox"/> yes	<input type="checkbox"/> no
Any other attachments which support your answers in this Application	<input type="checkbox"/> yes	<input type="checkbox"/> no

Please ensure you have answered all the questions. If you have answered any question in relation to a control or procedure as "no" please ensure you have provided details of any alternative control or procedure. If any question was not applicable please ensure this has been indicated as such and not left blank.