



## **KHANANI SECURITIES (PVT.) LIMITED**

Serial No. : \_\_\_\_\_

Client's Name : \_\_\_\_\_

Trading A/C No. : \_\_\_\_\_

CDC Sub-A/C No : \_\_\_\_\_

CDC Investor A/C No. : \_\_\_\_\_

## **KHANANI SECURITIES (PVT.) LIMITED**

Corporate Member: **THE KARACHI STOCK EXCHANGE (GUARANTEE) LTD.**

638, Stock Exchange Building, Stock Exchange Road, Karachi-Pakistan.

Office: 32410494, 32421752, 32430126, 32413750, 32460794













- 7(b) in the event of non-receipt of payment from the Account Holder on settlement day against securities bought on Account of the Account Holder, the Broker may transfer such securities to his collateral Account under intimation to the Exchange, after complying with the requirements as mentioned in relevant clause of this chapter.
8. The Broker shall accept from the Account Holder(s) payment through "A/c Payee Only" crossed cheque, bank drafts, pay order or other crossed banking instruments in case of amounts in excess of Rs.25000/-. Electronic transfer of funds to the Broker through banks would be regarded as good as cheque. The Broker shall be to provide the receipt to the Account Holder(s) in the name of the Account Holder(s) duly signed by authorized agents/employee of the Broker and the Account Holder(s) shall be responsible to obtain the receipt thereof. In case of cash dealing, proper receipt will be taken and given to the Account Holder(s), specifically mentioning if payment is for margin or the purchase of securities. The Broker shall immediately deposit in its bank account all cash received in whole i.e. no payments shall be made from the cash received from clients. However, in exceptional circumstances, where it becomes necessary for Broker to accept cash in excess of Rs.25000/-, the Broker shall immediately report within one business day such instances with rationale thereof to the Exchange in accordance with the mechanism prescribed by the Exchange.

Main Applicant

Joint Applicant 1

Joint Applicant 2

Joint Applicant 3

Participant



16. Acceptable mode of communication between the Account Holder(s) and the Broker shall be through letter (courier / registered post/ fax / E-mail) or by hand subject to receipt / acknowledgement. The onus of proving that the e-mail has been delivered to the recipient shall be on the sender sending the e-mail.
- 16(a). "Confirmation of orders to client made through fax or e-mail will have a time record"
17. In case of change of address or contact numbers of either party, the concerned party shall immediately notify the other party of the changes in writing.
18. I/We, the Account Holder(s) acknowledge receipt of this account opening form (signed here by me/us in duplicate) along with the copies of all the annexure and I/We, the Account Holder(s) also undertake that I/We have understood all the above terms and conditions of this agreement which are acceptable to me/us.
19. I/We, the Account Holder(s) understand that the shares trading business carries risk and subject to the due diligence on part of the broker I/We may incur losses for which I/We, the Account Holder(s) shall not hold the Broker responsible.
20. I/We, the Account Holder(s) further confirm that all information given in this application is true and complete and hereby authorize the Broker to verify and information mentioned above.
21. The Account Holder further agrees to make payments by "A/c Payee only" cheque and obtain receipt thereof in his/her/their name duly signed by authorized employee. The Account Holders understand that for any payment made other than the above arrangements, the Account Holders shall not hold the Company responsible.
22. The Account holder understands that company is not carrying on any money lending/borrowing business. The Account holders agree that he/she/they will not make any payment to the company for that purpose. The Account holder further understand that Company has not authorized any employee/person/agent to collect payment for money lending/borrowing purpose and if the Account holder make any payment for that purpose, he/she/they shall not hold the company responsible. Also Account holder agree that any receipt issued by any employee/person/agent on behalf of the company against money lending/borrowing have no legal binding on the company.
23. The Account Holder hereby undertakes that any physical shares/securities purchased through the company will be lodged for transfer by him/her/they within 7 business days. Account Holder further understand that in case of any defect in title of these physical shares/securities, the rules of Karachi Stock Exchange (Guarantee) Ltd. will be binding upon both the parties.
24. The Company is unconditionally and irrevocably authorized to deny execution of any order, freeze / close the Trading Account without any notice to the account holders. The account holders will not dispute this authority at any forum.
25. The Account Holder undertakes to identify any error/mistake/discrepancy/dispute regarding the transactions/ledger balance within one business day of receiving the trade confirmation/ledger statement. The Account Holder agrees that such letters will be addressed to the Chief Executive and he/she/they will seek written acknowledgement of the receipt of the letter.
26. The company is authorized to revise the required margin for trading in shares at any time without any notice to the Account Holder(s). However any change in the required margin for already executed trades will be notified to the Account Holder(s) at least 3 days prior to the implementation.
27. The Company undertake to maintain ledger Account of the Account Holder(s) which Clearly details Commission/other charges. The Account Holder(s) will have the option to seek ledger Account with or without detailed Commission/other charges.

**Terms and Conditions pertaining to CDC Group / Sub Account.**

- A. The Account Holders hereby irrevocably and unconditionally authorize Khanani Securities (Pvt.) Ltd. (here in after referred to as a company) cover his/her/their shares/securities from his/her/their sub-account/group account from time to time with an unfettered right to dispose them off -1y time without any notice to Account holders and to apply the net proceeds thereof towards the adjustment of his/her/their outstanding balance may be due from him/her/they, directly or indirectly to the Company including under normal settlement as well as against all his/her/their losses the Account Holders shall continue to be liable for any shortfalls.
- B. The company is further unconditionally and irrevocably authorized to freeze/close his/her/their sub account/group account and/or to move his/her/their es/securities in the sub-account/group account for any purposes without any notice to him/her/they.
- C. The Account Holders further hereby unconditionally and irrevocably authorize to pledge his/her/their book entry securities in favor of any eligible Iget(s) and in particular, the Karachi Stock Exchange (guarantee) Ltd. In accordance with Section 12 of the Central Depositories Act, 1997 and Central Depository Company of Pakistan Limited's Regulations as may be amended and/or substituted from time to time.
- D. The Account Holders further undertake not to move or issue any instructions to the CDC for the movement of any shares/securities in his/her/their account/group account without the prior written consent of the Company.
- E. The Company is further authorized to issue requisite instructions to the CDC/Issuers from time to time, if it considers necessary, in respect of ier/their above understanding with the Company.
- F. The foregoing conditions also constitute his/her/their irrevocable authorization to the company for the purposes of section 24 of the Central Depositories 1997 and the Central Depository Company of Pakistan Limited's Regulations.
- G. The Account Holders further undertakes to indemnify the Company for all losses, damages, claims, costs, etc. arising out of the opening and maintenance is/her/their sub-account/group account and/or servicing his/her/their orders by the Company.

\_\_\_\_\_  
Signature of Broker

\_\_\_\_\_  
Signature of Account Holder

\_\_\_\_\_  
Signature of Joint Account Holder

**WITNESS**

1. \_\_\_\_\_ (I.D No. \_\_\_\_\_)

2. \_\_\_\_\_ (I.D No. \_\_\_\_\_)

Date : \_\_\_\_\_

**ENCLOSURES (for individuals)**

1. Attested copy of National Identity Card of the applicant.
2. Attested copies of National Identity Card of the Joint Holders and or Nominee(s) (if applicable).
3. Attested copies of the passport of the applicant. Joint Account Holder(s) and or Nominee(s) in case of non-residents).
4. Copy of the Letter of Authorization from the Account Holder(s) of the person authorized to trade in his/her accounts (if other than the account holder(s)).
5. A list of Transaction fee, Commission to be charged by the Broker and other CDC charges to be levied.

Signatures:

\_\_\_\_\_  
Main Applicant

\_\_\_\_\_  
Joint Applicant 1

\_\_\_\_\_  
Joint Applicant 2

\_\_\_\_\_  
Joint Applicant 3

\_\_\_\_\_  
Participant

## CODE OF CONDUCT FOR TRADING BY EMPLOYEES OF BROKERAGE HOUSES

1. Employees of Brokerage Houses desirous of trading must obtain prior written authorization for such activity from the Broker or authorized officer of the Brokerage house on his trading account opening form.
2. Employee must submit to the Broker or authorized officer of the Brokerage house, a written undertaking of his understanding and willingness to strictly abide by all the relevant rules, regulations, codes and procedures as prescribed by the Exchange, Clearing Company, Depository Company and the Commission at all times while trading on his own account.
3. The provisions of chapter 7 of the KSE Regulations or any other Regulation which may be made from time to time in this regard would be applicable to such trades.
4. All trades on behalf of the employees concerned shall be executed against their own respective UINs and shall be subject to these KSE Regulations.
5. Employees must ensure that investment advice given to clients by them does not result in a conflict of interest with their individual trading activities.
6. The employees should not indulge in buying or selling securities of a company for their own account or any account over which they exercise control if they possess non-public information or inside information of that company or information pertaining to any potential trade/deal which may affect the share price of that company. Further, they will not pass any such information to others.
7. The employees should not buy or sell those securities for their own account in which they are aware of clients, proposed trades, trades by the Brokerage house or forthcoming research report regarding such securities.
8. Brokers shall monitor their employees, trades regularly and the Internal Audit Department will ensure compliance of these KSE Regulations and any violation shall be communicated to Audit Committee/Chief Executive Officer and shall be submitted to the Exchange and/or the Commission as and when demanded.
9. Adherence by Brokers as well as their employees, in letter and spirit, to this Code of Conduct is mandatory





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638, Stock Exchange Building,

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Annexure II-A

Photograph

## KNOW YOUR CLIENT (KYC) APPLICATION FORM

### Individual

A. IDENTITY DETAILS OF MAIN APPLICANT									
1. Full name of Applicant (As per CNIC / NICOP/NARA/ Passport) MR. / MRS. / MS.									
2. Father's / Husband's Name:									
3. a. Nationality:		b. Marital status: <input type="checkbox"/> Single <input type="checkbox"/> Married			c. Status: <input type="checkbox"/> Resident <input type="checkbox"/> -Resident				
4. a. Computerised National Identity Card or NICOP/NARA No:									
5. Passport details:			Passport Number:			Place of Issue:			
<i>(For a foreigner or a Pakistani origin)</i>			Date of Issue:			Date of Expiry:			
6. a. NTN (Optional)			b. Date of Birth						
B. ADDRESS DETAILS OF MAIN APPLICANT									
1. (a) Mailing Address: <i>(Address should be different from authorised intermediary business address except for employess of Brokers)</i>									
			City/Town/Village:		Province/State:		Country:		
(b) Tel. (Off.):		(c) Tel. (Res.):		(b) Mobile:		(d) Fax: (Optional)		(e) Email (if any)	
Specify the proof of address submitted for mailing address:									
2. (a) Permanent Address: <i>(if different from above or overseas address, mandatory for Non-Resident Applicant)</i>									
(b) Tel. (Off.):		(c) Tel. (Res.):		(b) Mobile:		(d) Fax: (Optional)		(e) Email (if any)	
Specify the proof of address submitted for permanent address:									
C. OTHER DERAITS									
1. Gross Annual Income Details (please specify):									
<input type="checkbox"/> Below Rs. 500,000			<input type="checkbox"/> Rs. 1,000,001 - Rs. 2,500,000						
<input type="checkbox"/> Rs. 500,001 - Rs. 1,000,000			<input type="checkbox"/> Above Rs. 2,500,001						
2. Net-worth as on (date) _____ : ( _____ )									
3. Shareholder's Category: <span style="float: right;">INDIVIDUAL</span>									
4. (a) Occupation :		Agriculturist		Business		Housewife			
<i>[Please tick ( ) the appropriate box]</i>		Retired Person		Student		Business Executive			
		Professional		Service		Others (Specify)			
(b) Name of Employer / Business:				(c) Job Title / Designation:					
(d) Address of Employer / Business:									
D. BANK VERIFICATION (Main Applicant): Required to be verified by the bank:									
Bank Account Title :				CNIC No:					
Bank Account No:				NICOP/RA/POC/Passport No.					
Address of Applicant:				Signature of Applicant:					
Bank Account No:		Name of Bank:		Branch:					
Address of Applicant:									
We do hereby verify the above particulars and signature of our above account holder::									
Particulars of Bank Manager / Authorised Officer									
Name:				Contact No(s):					
Email:				Signature & Rubber Stamp:					
Signature of the Authorised Signature									
DECLARATION									
I hereby confirm that all the information furnished above is true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein immediately. In case any of the above information is found to be untrue or false or misleading or misrepresenting, I am aware that I may be held Liable for it.									
Signature of the Applicant Date: _____ (dd/mm/yyyy)									
FOR OFFICE USE ONLY									
<input type="checkbox"/> (Originals verified) True copies of documents received									
<input type="checkbox"/> (Self-Attested) Self Certified Document copies received									
Signature of the Authorised Signatory				Date		Seal/Stamp of the Authorised Intermediary			

# Annexure - 'A'

## BOARD RESOLUTION

"RESOLVED that an application be made on behalf of \_\_\_\_\_ to  
(Name of Entity)  
Khanani Securities (Pvt.) Ltd. for opening an Account and for the aforesaid purpose the Account Opening Form including  
Terms and Conditions as set out herein be executed on behalf of \_\_\_\_\_  
(Name of Entity)

FURTHER RESOLVED that Mr./ Ms. \_\_\_\_\_ and  
Mr./Ms. \_\_\_\_\_ behalf  
of \_\_\_\_\_ to sign and execute and deliver this Account Opening Form and Terms and  
(Name of Entity)  
Conditions and other documents in connection therewith, and to do any other act, deed or thing for and on behalf of  
\_\_\_\_\_ in respect of company's application for opening an Account.  
(Name of Entity)

FURTHER RESOLVED that Mr./ Ms. \_\_\_\_\_  
and Mr./Ms. \_\_\_\_\_ be and are hereby authorized  
and empowered, either singly / jointly to represent to the broker on all matters pertaining to the maintenance and operation  
of the Account, to deal, liaise and correspond with the broker and give instructions to fulfill all the responsibilities and obligations  
to the broker under the Law, Rules and Regulations and the Terms and Conditions in relation to the Account from time to  
time, and to deal with other incidental and ancillary acts, things and deeds".

### NAMES OF DIRECTORS

### SIGNATURES

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date of Resolution: \_\_\_\_\_

### CHECK LIST

- |  |                          |                          |
|--|--------------------------|--------------------------|
| 1: New National Identity Card (CNIC) of the applicant.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2: New National Identity Card (CNIC) of the Joint Holdres and or Nominee(s) (if applicable).   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3: Passports of the applicant, Joint Holders and or Nominee(s)(in case of non-residents)   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4: The letter of authorization form the Account Holders of the<br>person authorized to trade in my/our accounts (if other than the account holder) | <input type="checkbox"/> | <input type="checkbox"/> |
| 5: Zakat Declaration Form attested (if Zakat Non-payable)  | <input type="checkbox"/> | <input type="checkbox"/> |

### APPLICATION

APPROVED

DISAPPROVED

DIRECTOR SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

Note : We will close your account with us if your account found inactive in Future



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## **AUTHORITY LETTER**

Dear Sir,

In View of your account opening form regarding nomination of authorize person to Operate the account. In this connection, I hereby authorize Mr \_\_\_\_\_ S/O \_\_\_\_\_ to operate my account and to collect the proceeds of shares on my behalf and I also authorize him to purchase / sale, deliver / receive of shares and payment on my behalf.

Thanking You.

NAME (Authorized Person)

Yours Truly

CNIC \_\_\_\_\_

\_\_\_\_\_  
Account Holder

Signature \_\_\_\_\_

Name: \_\_\_\_\_

C.N.I.C # : \_\_\_\_\_

### **KHANANI SECURITIES (PVT.) LIMITED**

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Office: 32410494, 32421752, 32430126, 32413750, 32460794

Date \_\_\_\_\_

CDC SUB A/c No. \_\_\_\_\_

Client A/c No. \_\_\_\_\_

Title of Account: \_\_\_\_\_

Operational Instruction: \_\_\_\_\_

NAME	SIGNATURE

NAME OF AUTHORIZED PERSON TRADE IN ACCOUNT	

Signatures:

Main Applicant

Joint Applicant 1

Joint Applicant 2

Joint Applicant 3

Participant

# KHANANI SECURITIES (PVT.) LIMITED

Tree Holder: Pakistan Stock Exchange Limited.

638, Pakistan Stock Exchange Building,

Stock Exchange Road, Karachi.

Annexure A

**FOR INTERNAL USE ONLY**

## KYC / CDD Checklist

Date	Account Title	Account / UIN #
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### SECTION A

#### Minimum Information / Documents to be provided by Investor

	Pls tick	Pls tick	Pls tick
<b>1. Individuals/Sole Proprietorships</b>		<b>2. Partnerships</b>	<b>3. Institutions/Corporates</b>
CNIC of Principal and Joint Holders / Passport for Foreign Nationals / NICOP for non-resident Pakistanis		CNICs/NICOP of all partners, as applicable	CNIC / NICOP of Authorized Signatories and Directors
Proof of Employment/Business		Partnership Deed	List of Directors and Officers
NTN Certificate, where available		Latest financial statements	NTN Certificate
		Certificate of Registration (in case of registered partnership firm)	Documentary evidence of Tax Exemption (if applicable)
		NTN Certificate	Certificate of Incorporation
			Certificate of Commencement of Business
			Certified Copy of Board Resolution
			Memorandum & Articles of Association/ Bye Laws/ Trust Deed
Audited Accounts of the Company			
<b>4. Trusts</b>		<b>5. Clubs Societies and Associations</b>	<b>6. Executors/Administrators</b>
CNICs of all trustees		Certified copy of certificate of Registration	CNICs of all Executors/Administrators
Certified copy of the Trust Deed		List of members	Certified copy of Letter of Administration
Latest financials of the trust		CNIC/NICOP of members of Governing Board	
Documentary Evidence of Tax Exemption (if applicable)		Certified copy of bylaws/rules and regulations	
Trustee/Governing Body Resolution		Copy of latest financials of Society/Association	
		Board/Governing Body Resolution	
If documents / information is complete, proceed to Section B			
List any missing documents / information below:			
1			
2			
If ANY document or information is missing, proceed to Section G.4			



**SECTION B****Assessment of information provided in section A**

Based on information provided in A.

	YES	NO
1. Is the investor also the ultimate beneficiary of the funds to be invested If NO, joint account should be opened or power of attorney be provided by ultimate beneficiary with relevant documentary details of the beneficiary		
2. In case the investor is a private company, IS the latest shareholders' list available	YES	NO
3. In case of Government Accounts, Mark YES if the account is <b>not</b> in the personal name of the government official A resolution / authority letter (duly endorsed by Ministry of Finance or Finance Department of concerned government) is available, which authorizes the opening and operating of this account by an officer of federal / provincial / local government in his / her official capacity	YES	NO
If the answer to any of the above questions was 'NO', go to section G.3 or G.4, otherwise go to Section C		

**SECTION C**

Risk Category of Investor	Please tick box		
1. Government Department / Entity	<input type="checkbox"/>	<input type="checkbox"/>	<i>LOW RISK</i> Go to Section G.1
2. Public listed company	<input type="checkbox"/>	<input type="checkbox"/>	<i>LOW RISK</i> Go to Section G.1
3. Private limited company	<input type="checkbox"/>	<input type="checkbox"/>	<i>MEDIUM RISK</i> Go to Section G.2
4. Non-Governmental Organization (NGO)	<input type="checkbox"/>	<input type="checkbox"/>	<i>HIGH RISK</i> Go to Section G.3
5. Trust / Charity	<input type="checkbox"/>	<input type="checkbox"/>	<i>HIGH RISK</i> Go to Section G.3
6. Unlisted Financial institution	<input type="checkbox"/>	<input type="checkbox"/>	Go to Section D
7. Individual	<input type="checkbox"/>	<input type="checkbox"/>	Go to Section E

## SECTION D

Unlisted Private Financial Institution (NBFI)		
Is the unlisted private financial institution domiciled in Pakistan and is regulated by the SECP/State Bank of Pakistan (SBP)	YES	NO
OR		
Is it domiciled in a FATF member country that is satisfactorily following the FATF recommendations and is supervised by a regulatory body	YES	NO
If YES, proceed to Section C. If NO, proceed to Section G.		

## SECTION E

Individual		
1. Is the person a non-resident Pakistani	YES	NO
2. Is the person a high net worth individual with no identifiable source of income or his/her profile/source of income doesn't match with size & quantum of investments/	YES	NO
3. Is the person involved in dealing in high value items (based on declared occupation)	YES	NO
4. Is the person a foreign national	YES	NO
5. Does the person appear to have links or money transfer to/from offshore tax havens or belongs to country(s) where KYC/CDD and anti money laundering regulations are lax (in terms of not sufficiently applying FATF recommendations)	YES	NO
6. Is there any reason to believe that the person has been refused account opening by another financial institution / brokerage house	YES	NO
7. Is the person opening the brokerage account on a non-face-to-face basis/on-line	YES	NO
If the response to any question 1-7 above was 'Yes', proceed to Section G.		
8. Is the person a holder of a senior level public (government) office i.e. a politically exposed person (PEP) or a family member of PEP.	YES	NO
9. Is the person a holder of high profile position (e.g. senior politician)	YES	NO
If the response to any question 8-9 above was 'Yes', proceed to Section G. Else, proceed to Section C.		

## SECTION F

Politically Exposed Person / Foreign National / Holders of High Profile Position		
Is the brokerage account relationship with this high risk category person including politically exposed person / foreign national / holder of high profile position, approved by the Nominee Director, CEO / COO of the brokerage house (approval shall be provided by management through signing the respective Account Opening Form)	YES	NO
If YES, proceed to Section G. If NO, proceed to Section G.		



## SECTION G

Investor Risk Profile		
	Risk Classification	KYC Requirements
G.1	LOW RISK	Reduced KYC Requirements shall be applicable. Investor account can be opened once information / documents mentioned in section A have been provided.
G.2	MEDIUM RISK	Greater care required and documents listed in Section A should be obtained before opening of account.
G.3	HIGH RISK	Enhanced KYC Requirements shall be applicable:  Investor account can be opened once information / documents mentioned in section A have been provided.  Transactions shall be monitored to ensure that the funds used for investments are from an account under the investor's own name in a financial institution (e.g. bank) subject to high due diligence standards and the amount and frequency of investments are not unusual given the nature and financial strength of the investor
G.4	HIGH RISK	Account cannot be opened as KYC Requirements have not been fulfilled

CONFIRMATION of physical presence of customer when opening account	YES	NO
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Other Comments

Completed by:	<i>Name of Sales Person / Agent</i>	<i>Signature</i>	<i>Date</i>
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Checked by:	<i>Name of Compliance Person</i>	<i>Signature</i>	<i>Date</i>
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## RISK DISCLOSURE DOCUMENT

This Risk Disclosure document is prescribed by the Pakistan Stock Exchange Limited (PSX) under Clause 13(1) of the Securities Broker (Licensing and Operations) Regulations, 2016.

This document contains important information relating to various types of risks associated with trading and investment in financial products (equity securities, fixed income instruments, derivatives contracts etc.) being traded at PSX. The customer should carefully read this document before opening trading account with a broker.

In case a customer suffers negative consequences or losses as a result of trading/investment, he/she shall be solely responsible for the same and PSX or Securities and Exchange Commission of Pakistan (SECP) shall not be held responsible/liable, in any manner whatsoever, for such negative consequences or losses.

The customers must acknowledge and accept that there can be no guaranteed profit or guaranteed return on their invested capital and under no circumstances broker can provide customers such guarantee or fixed return on their investment in view of the fact that the prices of securities and futures contract can fall as well as rise depending on the market conditions and performance of the companies. Customers must understand that past performance is not a guide to future performance of the securities, contracts or market as a whole. In case the customers have any doubt or are unclear as to the risks/information disclosed in this document, PSX strongly recommends that such customer should seek an independent legal or financial advice in advance.

PSX neither singly or jointly and expressly nor impliedly guarantee nor make any representation concerning the completeness, accuracy and adequacy of the information contained in this document as this document discloses the risks and other significant aspects of trading / investment at the minimum level. PSX does not provide or purport to provide any advice and shall not be liable to any person who enters into a business relationship with a broker based on any information contained in this document. Any information contained in this document must not be construed as business/investment advice in any manner whatsoever.

### THE CUSTOMERS MUST BE AWARE OF AND ACQUAINTED WITH THE FOLLOWING:

#### 1. BASIC RISKS INVOLVED IN TRADING IN SECURITIES MARKET:

##### 1.1 VOLATILITY RISK:

Volatility risk is the risk of changes in the value of financial product in any direction. High volatility generally means that the values of securities / contract can undergo dramatic upswings and/or downswings during a short period. Such a high volatility can be expected relatively more in illiquid or less frequently traded securities / contracts than in liquid or more frequently traded one. Due to volatility, the order of a customer may not be executed or only partially executed due to rapid change in the market prices. Such volatility can also cause price uncertainty of the market orders as the price at which the order is executed can be substantially different from the last available market price or may change significantly thereafter, resulting in a real or notional loss.



## **1.2 LIQUIDITY RISK:**

Liquidity refers to the ability of market participants to buy and/or sell securities expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for customers to buy and/or sell securities swiftly and with minimal price difference and, as a result, customers are more likely to pay or receive a competitive price for their executed trades. Generally, lower liquidity can be expected in thinly traded instruments than in liquid or more frequently traded ones. As a result, order of customer may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all. Under certain market conditions, it may be difficult or impossible for the customers to liquidate a position in the market at a reasonable price, when there are no outstanding orders either on the buy side or on the sell side, or if trading is halted in a security/contract due to any reason.

## **1.3 SPECULATIVE TRADING RISK:**

Speculation involves trading of a security/contract with the expectation that it will become more valuable in a very near future. These transactions are attempted to make profit from fluctuations in the market value of securities, rather than fundamental value of a security and/or underlying attributes embodied in the securities such as dividends, bonus or any other factor(s) materially affecting the price.

Speculative trading results in an uncertain degree of gain or loss. Almost all investment activities involve speculative risks to some extent, as a customer has no idea whether an investment will be a blazing success or an utter failure.

Day trading strategy is a common example of speculative trading in which customers buy and sell the same security/ derivative within the same day, such that all obligations are netted off and closed and no settlement obligations stand. The customer indulging in a day-trading strategy needs to be more vigilant and informed than the customers investing for a longer period, as market may not move during the day as the day-trader originally anticipated, resulting in a loss to them.

## **1.4 RISK OF WIDER SPREAD:**

The Bid-Ask spread is the difference between the offer price and bid price of a security/contract quoted by the Market Makers or trading parties. The size of spread is affected by a number of factors such as liquidity, volatility, free float (the total number of shares outstanding that are readily available for trading) etc. Generally, low liquidity, high volatility and low free float levels of a security may result in relatively wider Bid Ask Spread. The higher Bid-Ask spread can result in greater cost to customers.

## **1.5 RISK PERTAINING TO THE PRICE FLUCTUATIONS DUE TO CORPORATE ANNOUNCEMENT:**

The corporate announcements by the issuers for the corporate actions or any other material information may affect the price of the securities. These announcements combined with relatively lower liquidity of the security may result in significant price volatility. The customers, while making any investment decision in such securities/contracts, are advised to take into account such announcements. Moreover, the customers should be cautious and vigilant in case fake rumors are circulating in the market. The Customers are advised to refrain from

acting purely based on such rumors rather take well informed investment decision in light of all facts and circumstances associated with such securities and their issuers.

#### **1.6 RISK REDUCING ORDERS:**

The customers can place orders for limiting the losses to certain amounts, such as Limit Orders, Stop Loss Orders, and Market Orders etc. Customers must ask their brokers for detailed understanding of these order types. Customers must acknowledge that placement of such orders for limiting losses to certain extent may not always be an effective tool due to rapid movements in the prices of securities and, as a result, such orders may not be executed.

#### **1.7 SYSTEM RISK:**

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day causing delay in order execution or confirmation. During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations.

#### **1.8 SYSTEMIC RISK:**

Systemic risk arises in exceptional circumstances and is the risk that the inability of one or more market participants to perform as expected will cause other participants to be unable to meet their obligations when due, thereby affecting the entire capital market.

#### **1.9 SYSTEM AND NETWORKING RISK:**

Trading on the PSX is done electronically, based on satellite/leased line based communications, combination of technologies and computer systems to place and route orders. All these facilities and systems are vulnerable to temporary disruption or failure, or any such other problem/glitch, which may lead to failure to establish access to the trading system/network. Such limitation may result in delay in processing or processing of buy or sell orders in part only or non-processing of orders at all. As with any financial transaction, the customer may experience losses if orders cannot be executed normally due to systems failures on the part of exchange or broker. The losses may be greater if the broker having customers' position does not have adequate back-up systems or procedures. Accordingly, the Customers are cautioned to note that although these problems may be temporary in nature, but when the customers have outstanding open positions or unexecuted orders, these limitations represent a risk because of obligations to settle all executed transactions.

#### **1.10 RISK OF ONLINE SERVICES:**

The customers who trade or intend to trade online should fully understand the potential risks associated with online trading. Online trading may not be completely secure and reliable and may cause delay in transmitting information, execution of instructions due to technological barriers. Moreover, the customer acknowledges and fully understands that he/she shall be solely responsible for any consequences arising from disclosure of the access codes and/or passwords to any third person or any unauthorized use of the access codes and/or passwords.



### 1.11 REGULATORY/LEGAL RISK:

Government policies, rules, regulations, and procedures governing trading on the exchange are updated from time to time. Such regulatory actions and changes in the legal/regulatory ecosystem including but not limited to changes in tax/levies may alter the potential profit of an investment. Some policies of the government may be focused more on some sectors than others thereby affecting the risk and return profile of the investment of the customers in those sectors.

### 2. RISKS IN DERIVATIVE AND LEVERAGE PRODUCTS:

Derivative and leveraged trades enable the customer to take larger exposure with smaller amount of investment as margin. Such trades carry high level of risk and the customers should carefully consider whether the trading in the derivative and leveraged products is suitable for them, as it may not be suitable for all customers. The higher the degree of leverage, the greater the possibility of profit or loss it can generate in comparison with the investment involving full amount. Therefore, the customers should trade in the derivative and leveraged products in light of their experiences, objectives, financial resources and other relevant circumstances.

Derivative product namely Deliverable Futures Contract, Cash Settled Futures Contract, Stock Index Futures Contract and Index Options Contracts and leveraged products namely Margin Trading System, Margin Financing and Securities Lending and Borrowing are available for trading at stock exchange.

The customer transacting in the derivative and leveraged markets needs to carefully review the agreement provided by the brokers and also thoroughly read and understand the specifications, terms and conditions which may include markup rate, risk disclosures etc. There are a number of additional risks that all customers need to consider while entering into derivative and leveraged market transactions. These risks include the following:

- (a) Trading in the derivative and leveraged markets involves risk and may result in potentially unlimited losses that are greater than the amount deposited with the broker. As with any high risk financial product, the customer should not risk any funds that the customer cannot afford to lose, such as retirement savings, medical and other emergency funds, funds set aside for purposes such as education or home ownership, proceeds from student loans or mortgages, or funds required to meet living expenses.
- (b) All derivative and leveraged trading involves risk, and there is no trading strategy that can eliminate it. Strategies using combinations of positions, such as spreads, may be as risky as outright long or short positions. Trading in equity futures contracts requires knowledge of both the securities and the futures markets.
- (c) The customer needs to be cautious of claims of large profits from trading in such products. Although the high degree of leverage can result in large and immediate gains, it can also result in large and immediate losses.
- (d) Because of the leverage involved and the nature of equity futures contract transactions, customer may feel the effects of his/her losses immediately. The amount of initial margin is small relative to the value of the futures contract so

that transactions are 'leveraged' or 'geared'. A relatively small market movement will have a proportionately larger impact on the funds the customer has deposited or will have to deposit. This may work against customer as well as for him/her. Customer may sustain a total loss of initial margin funds and any additional funds deposited with the broker to maintain his/her position. If the market moves against his/her position or margin levels are increased, customer may be called upon to pay substantial additional funds on short notice to maintain his/her position. If the customer fails to comply with a request/call for additional funds within the time specified, his/her position may be liquidated/squared-up at a loss, and customer will be liable for the loss, if any, in his/her account.

- (e) The customer may find it difficult or impossible to liquidate / square-up a position due to certain market conditions. Generally, the customer enters into an offsetting transaction in order to liquidate/square-up a position in a derivative or leverage contract or to limit the risk. If the customer cannot liquidate position, they may not be able to realize a gain in the value on position or prevent losses from increasing. This inability to liquidate could occur, for example, if trading is halted due to some emergency or unusual event in either the equity futures contract or the underlying security, no trading due to imposition of circuit breaker or system failure occurs on the part of exchange or at the broker carrying customers' position. Even if customer can liquidate position, they may be forced to do so at a price that involves a large loss.
- (f) Under certain market conditions, the prices of derivative contracts may not maintain their customary or anticipated relationships to the prices of the underlying security. These pricing disparities could occur, for example, when the market for the equity futures contract is illiquid, when the primary market for the underlying security is closed, or when the reporting of transactions in the underlying security has been delayed.
- (g) The customer may be required to settle certain futures contracts with physical delivery of the underlying security. If the customer holds position in a physically settled equity futures contract until the end of the last trading day prior to expiration, the customer shall be obligated to make or take delivery of the underlying securities, which could involve additional costs. The customer should carefully review the settlement and delivery conditions before entering into an equity futures contract.
- (h) Day trading strategies involving equity futures contracts and other products pose special risks. As with any financial product, customers who seek to purchase and sell the same equity futures in the course of a day to profit from intra-day price movements ("day traders") face a number of special risks, including substantial commissions, exposure to leverage, and competition with professional traders. The customer should thoroughly understand these risks and have appropriate experience before engaging in day trading. The customer should obtain a clear explanation of all commission, fees and other charges for which he/she will be liable. These charges will affect net profit (if any) or increase loss.



### 3. GENERAL:

#### 3.1 ASSETS HELD WITH BROKERS:

The customer should familiarize him/herself with the measures available for protecting from the risk of misappropriation or misuse of cash and securities held with the brokers. For such purpose, he/she may opt for UIN Information System (UIS) provided by National Clearing Company of Pakistan Limited (NCCPL). The customer should also provide correct mobile number/email address in order to receive SMS/e-Alerts services being provided by the NCCPL and Central Depository Company of Pakistan Limited (CDC) on each trade and movement of their securities.

Moreover, the customers should be aware of the protections given to money and securities deposited with the brokers, particularly in the event of a default by such broker or the broker's insolvency or bankruptcy. The customer recognizes that in such default/insolvency/bankruptcy scenario, the customer may recover his/her money and/or property to such extent as may be governed by relevant PSX Regulations and/or local laws in force from time to time.

#### 3.2 CUSTOMERS RIGHTS AND OBLIGATIONS:

The customer must understand their rights and obligations as well as the rights and obligations of the brokers specified under the PSX Regulations and the Standardized Account Opening Form, Know Your Client Form, Standardized Sub-Account Opening Form of CDC, and Agreement(s) of Leveraged Products (Margin Trading System, Margin Financing and Securities Lending and Borrowing), where applicable, and any other applicable Rules, Regulations, Guidelines, Circulars etc. as may be issued by SECP and PSX from time to time.

- (a) The customers should ensure that they deal through the registered branch and with the registered Agents/Traders/Representatives of the broker. The customer shall also verify such details from the website of PSX and Jama punji ([www.jamapunji.pk](http://www.jamapunji.pk));
- (b) Customer at the time of establishing relationship with the brokers, should obtain a clear explanation of all brokerage, commission, fees and other charges for which customer will be liable to pay and these charges will affect net cash inflow or outflow;
- (c) It is obligatory for the brokers to issue contract note, in either electronic form or hard copy, by next working day of trading. The contract note shall contain all information relating to trade execution including commission and charges applicable on the customers. In case contract note is not issued, customer should inquire with broker immediately and in case the matter is not resolved, the same should be reported to the PSX;
- (d) The customers should match the information as per the contract notes with the SMS/e-Alert received from CDC and/or NCCPL and may also verify from the UIS facility from the website of NCCPL.

**UNDERTAKING**

I, the customer, hereby acknowledge that I have received this Risk Disclosure Document and have read and understood the nature of all risks and other contents and information provided in this document.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Broker

\_\_\_\_\_  
Signature of Account Holder

\_\_\_\_\_  
Signature of Joint Account Holder (1)

\_\_\_\_\_  
Signature of Joint Account Holder (2)

\_\_\_\_\_  
Signature of Joint Account Holder (3)