



AL Habib Capital Markets (Pvt.) Ltd. (AHCML)

Guidelines for Customer Dealing

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1. Introduction

AL Habib Capital Markets (Pvt.) Ltd. (AHCML) has certain obligations towards its customers in accordance with the provisions of Securities Act, 2015 read with Securities and Exchange Regulations, 2016 and as per the guidelines frequently issued by Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX). These guidelines – Guidelines for Customer Dealing – broadly define those obligations.

2. Disclosure of financial risks to customers:

1. AHCML shall not commence business with a customer unless it has provided the customer with a risk disclosure document in accordance with the specimen provided by the SECP, containing the basic risks involved in trading in securities including explanation of the following:
 - a. Risk of higher volatility, which may affect the complete or partial execution of an order and the price at which it may be executed;
 - b. Risk of lower liquidity;
 - c. Speculative trading;
 - d. Risk of wider spread;
 - e. Price fluctuations due to corporate announcements;
 - f. Systemic risk; and
 - g. Specific risk of trading in leverage markets etc;
2. AHCML shall obtain a written acknowledgement duly signed and dated by the customer confirming that such customer has understood the nature and contents of the risk disclosure document.

3. Conflict of interest

1. AHCML shall take all reasonable steps including framing of appropriate policies and procedures to minimize conflict of interest between AHCML and its customers.
2. Where any conflict of interest arises between AHCML and its customer, AHCML shall immediately inform the customer through verifiable means and not gain any direct or indirect advantage from the situation and shall act in the best interest of the customer.
3. AHCML must take reasonable steps to ensure that neither AHCML nor any of its employees or accredited representatives either offers or gives or solicits or accepts, any inducement that is likely to conflict with any duties owed to the customer.

4. AHCML shall put in place a mechanism and take steps to avoid and eliminate the misalignment of incentives due to conflict of interest between compensation of senior management officers, employees and accredited representatives of AHCML and interest of the customers.
5. AHCML shall disclose the names of such persons to its customers who are working as its accredited representatives.
6. AHCML shall put in place a mechanism to resolve any conflict of interest that may arise in the conduct of business and take all reasonable steps to resolve all conflict of interest in an equitable manner.
7. Where AHCML has a material interest in a transaction to be entered into with or for a customer or a relationship which gives rise to a conflict of interest in relation to such a transaction, AHCML shall not knowingly either advise, or deal in the exercise of discretion, in relation to that transaction unless AHCML has:
 - a. Disclosed that material interest or relationship, as the case may be, to the customer;
 - b. Taken reasonable steps to ensure that neither the material interest nor the relationship adversely affects the interest of the customer;
8. AHCML shall make appropriate disclosure to customers of possible source or potential areas of conflict of interest which could impair its ability to render fair, objectives and unbiased service.
9. In case of any breach of policies by its employees and accredited representatives, AHCML shall promptly investigate, and take appropriate action against the person responsible.

4. Duties and obligations of AHCML to its customers:

1. AHCML shall:
 - a. Ensure fair treatment of its customers, not discriminate amongst them, and treat customers' instructions and orders in due turn;
 - b. Exercise due care and diligence while handling unsubstantiated market information or non-public price sensitive information;
 - c. Take reasonable steps to ensure that any agreement, written communication, notification or information that AHCML gives or sends to customers to whom the services are to be provided or are being provided is presented fairly and clearly and adequate details regarding the services to be provided by the securities broker are covered therein;

- d. Establish an internal code of practice aimed at ensuring that members of the board, directors, employees and accredited representatives act in accordance with the best interests of its customers, the integrity of the market and are in compliance of the Securities Act, 2015 read with Securities Brokers (Licensing and Operations) Regulations 2016 and any other applicable laws, guidelines, directives, circulars etc;
- e. Frame policies and procedures to ensure compliance with regulatory requirements governing prohibition of insider dealing and market abuse;
- f. Ensure that 'Know Your Customer' and 'Customer Due Diligence' is being conducted properly in accordance with the relevant regulations/guidelines/circulars etc issued by SECP from time to time;
- g. Ensure that the credit worthiness of AHCML's customers is evaluated through a proper credit risk assessment methodology and trading limits are assigned to each customer beyond which the customer shall not be allowed to take a position;

2. AHCML shall not:

- a. Encourage sale or purchase of securities on account of a customer with they sole objective of generating commission or any other financial benefit;
- b. Have an incentive structure that encourages dealing in securities not suiting the risk profile of its customers;
- c. Deal or transact business directly or indirectly or execute an order for a customer where the name of such customer is appearing on the list of delinquent customers maintained by the SECP;
- d. Accept any money from a customer on a promise of predetermined or guaranteed return;

5. Establishment of relationship with customer

1. AHCML shall not commence business with a customer unless it has entered into an agreement with the customer, obtained acknowledgement of risk disclosure document, opened an account in the customer's name and completed all other requirements as may be specified by the SECP, clearing house or a central depository;
2. AHCML shall take reasonable steps to ensure that the identity, address and contact details of its customers are known and verified;
3. AHCML shall ensure that the information contained in the account opening form is updated, complete and correct and shall ensure that the mobile number and/or the email address of the customer is registered in the central depository's and clearing company's record as per the regulations of the central depository and the clearing company;
4. AHCML shall ensure maintenance of only true and correct information/particulars of its customers in the system and its records, and shall not change any detail provided by the customer and shall keep the record of such changes along-with necessary documentary evidence;
5. AHCML shall hold in possession copies of documentation regarding the identity of customer and the identity of any representative of the customer;
6. AHCML must take reasonable care in evaluating that the customer has sufficient financial resources to settle the transactions the customer wishes to enter into;

6. Customers' rights

1. AHCML shall not, in any written communication or agreement, seek to exclude or restrict:
 - a. Any duty or liability to a customer, which such customer has under any law or under any regulation made by SECP;
 - b. Any other duty to act with skill, care and diligence that is owed to a customer in connection with the provisions of service as a securities broker; and
 - c. Any liability owed to a customer for failing to exercise the degree of skill, care and diligence that may reasonably be expected of AHCML is the provision of the service of a regulated securities activity;

7. Execution of customer orders

2. AHCML shall not deal in securities on account of a customer without instruction of such customer;
3. AHCML shall take reasonable measures to execute the orders placed by the customer on the most advantageous terms as practical in the prevailing market conditions and AHCML shall ensure that the use of negotiated deals market is properly justified;
4. AHCML shall always give priority to customer orders;
5. All orders to buy or sell securities, which AHCML may receive shall be entered, in the chronological order, in a register to be maintained in a form which shows the name, trading code and UIN of the person who placed the order, the name and number of securities to be bought or sold, the nature of the transaction and the limitation, if any, as to the price of the securities or the period for which the order is to be valid.
6. The chronological register to be maintained under Point # 05 above may be maintained in electronic form including the logs generated from the system and telephone recording.

8. Order recording

1. AHCML shall ensure that all orders placed by customers through telephone lines are recorded over dedicated telephone lines and ensure that:
 - a. All telephone lines to be used by its employees and accredited representatives who are responsible for taking and confirming orders, executing contracts, transferring funds, or carrying out instructions incidental thereto, shall be routed through a centralized call recording system; and
 - b. All lines of communication are regularly tested to ensure ongoing proper functioning;
2. AHCML shall ensure that all orders received in-person from visiting customers are adequately recorded and acknowledgement is obtained from the customers;
3. AHCML shall ensure that it has preserved all records pertaining to all orders received from customers in writing or through any other document, fax, email, or through any other means;

9. Recorded Telephone Lines, emails, SMS etc

Preventing, detecting and deterring market abuse is one of AHCML's key priorities. Good quality recordings of voice conversations and of electronic communications (email, SMS etc) may help AHCML to detect and deter market abuse. Customer disputes usually begin with a miscommunication when there is no easy way to prove who is right. For this reason, and to comply with regulatory requirement AHCML

1. Clients' orders received and/or confirmed via telephonic [landline] communications must be recorded in the manner specified by the Exchange;
2. Where Clients' orders are not received and/or confirmed via telephonic [landline] communications, the same can be received on official AHCML email account only;
3. Adequate compliance monitoring is exercised over the office staff that is responsible for recording the telephone order instructions;
4. Telephone recordings are being retained for a minimum period of six months or any other period specified by the Exchange and/or Commission;
5. Further, in case of any complaint lodged by an Investor, the Broker has retained the record of such Investor till the resolution of the complaint;
6. All telephone lines under use of the traders, agents, dealers and authorized persons who are involved in trading, are connected to the telephone recording system of the Broker;
7. During trading time, no trader is allowed to use mobile phones in order to make the transaction of the Client transparent and confidential;

10. Segregation of customer money

1. Customer money shall not form part of the assets of AHCML for any purpose and shall not be available in any circumstances for payment of any debt or liability of securities broker;
2. AHCML shall not use customer money for any purpose other than as allowed under Securities Act, 2015 or any rule or regulations made there-under;
3. Where AHCML receives or holds customer money, it shall open one or more designated bank accounts with a scheduled bank in Pakistan for such purpose and the title of the account shall reflect the same;
4. A designated customer bank account shall be kept segregated from any account holding money belonging to AHCML;

5. AHCML shall forthwith deposit into a designated bank account for the customers all customer money coming into AHCML's hands from its customer;
6. AHCML shall keep records of:
 - a. All amount deposited into designated bank account(s), specifying the customers on whose behalf the amounts are held and the dates on which the amounts were received;
 - b. All payments from designated bank account(s), the dates of those payments and the names of the customers on whose behalf the payments are made; and
 - c. Such other particulars as may be specified by SECP;
7. No amount from customer bank account(s) shall be withdrawn in cash and all payments shall be made through cross cheques or other banking channels and where payment is made through cross cheques, AHCML shall keep copy of the cheques issued for the purposes of record;

11. Accounting for and use of customer money

1. AHCML shall properly account for customer money and ensure that:
 - a. Customer money is not mixed with other money;
 - b. AHCML can at all times calculate how much customer money stands to the credit of each customer; and
 - c. Money belonging to one customer is not used for another customer;
2. AHCML shall not withdraw money received and deposited in the designated bank account otherwise than for the purpose of:
 - a. Making a payment to a person entitled to the money;
 - b. Meeting obligations emanating from dealing in securities effected by AHCML on the instruction of a customer;
 - c. Defraying brokerage and other charges or levies incurred in respect of dealing in securities effected by AHCML on the instruction of a customer;
 - d. Making a payment that is otherwise authorized by law;

12. Segregation of other customer assets

1. All customer assets (other than customer money) held or received by AHCML on account of a customer in connection with any trading in securities shall be segregated and separately accounted for:
2. AHCML shall at all times keep such books as is necessary;
 - a. To show all handling of a customer's assets including relevant dates; and
 - b. To distinguish such customer assets held or received by it on account of each separate customer and to distinguish such customer assets from its own assets and other assets held or received by AHCML;
3. AHCML shall maintain a separate sub-account under its participant account in the CDS for each of its customers to maintain the custody of all securities belonging to the customer including margin deposited by the customer;
4. A complete audit trail of the transactions pertaining to customer's assets is to be maintained by AHCML;

13. Periodic reporting to the customer

1. AHCML shall, on quarterly basis or any other periodic basis as may be specified by the securities exchange and/or the SECP, furnish to the customer reports containing information regarding handling of securities, receipts and payments and the holding balance of customer's assets;
2. AHCML shall promptly provide to a customer any report or information pertaining to the account of such customer as and when requested by the customer;

14. Walk-in Customer

1. Walk-in-Customer implies an existing AHCML customer who 'walks-in' AHCML's office and places an order verbally. Such a customer is required to sign the 'KATS Order Sheet/BackOffice Note' containing but not limited to time of order, total order placed, quantity of shares purchased, quantity of shares remaining to be purchased, rate of purchase etc;

15. Annexure # 01: Risk Disclosure Document

1. Sample 'Risk Disclosure Document' provided by PSX vide its Notice, PSX/N-5231 dated Sep 23, 2016 enclosed;

“ANNEXURE G”

“DRAFT”

ABC Securities (pvt) limited

TRE Certificate Holder:
Pakistan Stock Exchange Limited

Registered Office:
Room No. xxx-xxx, x floor
Pakistan Stock Exchange Building, Karachi
Ph: 021-xxxxxxx, Fax: 021-xxxxxxx

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, implemented by the Securities and Exchange Commission of Pakistan (SECP).

It is obligatory on the brokers that they shall not commence business with customers unless they provide this risk disclosure document to their customers and obtain a written acknowledgment duly signed and dated by the customers confirming that such customers have understood the nature and contents of the risk disclosure document.

This document contains important information relating to various types of risks associated with trading in securities market. The investors are advised to carefully read this document before opening an account with a broker for trading in the securities market.

Taking into consideration the risks involved, the customers should carefully consider whether such trading is suitable for them in light of their financial goals, conditions and risk appetite. In case a customer suffers negative consequences or losses as a result of trading, he/she shall be solely responsible for the same and PSX shall not be responsible, in any manner whatsoever, for such negative consequences or losses.

The customers must acknowledge and accept that there can be no guaranteed profit or return on their invested capital and under no circumstances a broker can provide customers such guarantee or fixed return on their investment. Further, the customers 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 Leverage Products (Margin Financing, Margin Trading and Securities Lending & Borrowing), where applicable, and any other applicable Rules, Regulations, Guidelines, Circulars etc. as may be issued by SECP and PSX from time to time.

The customers should be aware of the protections given to money or other property the customers deposit with the brokers for trading purpose, 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.

The customers should ensure that they deal with and through the registered Agents/ Traders/ Representatives of the broker.

PSX neither does singly or jointly and expressly nor impliedly guarantee nor make any representation concerning the completeness and adequacy of the information contained in this document as this document discloses the risks and other significant aspects of trading 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 any business relationship with any broker and/or any third party based on any information contained in this document. Any information contained in this document must not be construed as business advice/investment advice.

The customers considering whether to trade or authorize someone to trade on his behalf must be aware of and acquainted with the following:-

BASIC RISKS INVOLVED IN TRADING IN SECURITIES MARKET:

Volatility Risks:

The higher volatility refers to scrip's price that could potentially be spread over a wide range of prices. This means that the price of the security can change vividly over a short period in any direction. It is quite possible that the order of customer could not be executed or partially executed due to rapid change in the available prices. It could also be possible that requisite price could not be met for the customer due to rapid change in the prices.

Liquidity Risks:

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 investors to buy and/or sell securities swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be a risk of lower liquidity in some securities as compared to active securities. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.

Speculative Trading Risk:

Speculative risk is a category of risk that, when undertaken, results in an uncertain degree of gain or loss. All speculative risks are made as conscious choices and are not just a result of uncontrollable circumstances. Almost all investment activities involve speculative risks, as an investor has no idea whether an investment will be a blazing success or an utter failure. Any investment may be seen as speculative, as most investors will not take on investments that are known to result in losses.

Risk of Wider Spread:

A spread is the difference between the bid and the ask price of a financial security. The spread for the security is influenced by a number of factors like supply or "float" (the total number of shares outstanding that are available to trade), demand or interest in a stock or total trading activity of the stock. For stocks, the spread would be the difference between the strike price and the market value.

Risk Pertaining to the Price Fluctuations due to Corporate Announcement:

Investors typically have an inclination to buy stocks of different companies, but it is hard to make a choice. After finding a company that looks like a good investment candidate and getting to know the business and the financials, investors should make a choice about which type of investment to make. Stock prices are typically driven by financial results, company news and industry fundamentals. They are usually valued on a "multiple" basis. Stock investors generally invest in companies that they feel have superior growth prospects and are undervalued by the market.

Systemic 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. These may cause delays 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. Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or on the sell side, or if trading is halted in a security due to any reason.

Leveraged Market Risk:

The risks with these types of transactions are that the other party may default under the agreement. In a leverage market transaction, the financee may be left holding the security and may not be able to sell it at the same price it paid for it, plus return/mark-up, if the market value of the underlying security has dropped.

Government Regulation Risk:

Government policies or regulations are more prevalent in some sectors than in others. Investors that invest in these sectors may be affected due to change in the regulations or policies, which directly or indirectly affect the earnings and/or the cash flows and/or any governmental or court orders restraining payment of capital, principal or income.

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 the document.

Date: _____

Signature of Broker

Signature of Account Holder

Signature of Joint Account Holder