

SECURITIES BROKERS

A Securities Broker is defined in the Securities Act, 2015 as a TRE Certificate holder who, by way of business;

(a) makes or offers to make with any person or induces or attempts to induce any person to enter into or to offer to enter into, any agreement for or with a view to buying, selling, exchanging or subscribing for, securities; or

(b) solicits or accepts any order for or otherwise trading in, or effects transactions in, securities for clients or on its own account;” The

Securities Broker must be:

- a public or a private company;
- a TRE Certificate Holder of Pakistan Stock Exchange Limited (PSX); and
- licensed by the Securities and Exchange Commission of Pakistan (SECP)



OPENING TRADING ACCOUNT WITH SECURITIES BROKER

Before opening a trading account with Securities Broker, a customer must visit website of PSX to;

- ensure that it is a TRECertificate Holder of PSX; and
- verify its registration details and registered office/ branch offices.

Customer Relationship Form (“CRF”) and Sahulat KYC Application/ Account Opening Form (“Sahulat Form”)

- is an agreement that contains minimum Terms and Conditions, equally binding on the Securities Broker and their customers, which should be signed, read and understood by all customers.

At the time of opening his account, the customer should ensure that:

- all relevant fields of the CRF or Sahulat Form are properly filled and irrelevant fields are struck-off;
- correct, complete and current information is provided to Securities Broker along with supporting documents;
- Terms and Conditions, annexed to CRF/Sahulat Forms, are provided to them are duly stamped, dated and signed by the Compliance Officer of the Securities Broker on each page; and
- Risk Disclosure Document, containing various risks associated with trading, has been shared with them along with CRF/ Sahulat Form.



PROTECTION OF CUSTOMERS ASSETS

In order to protect the interest and rights of customers, PSX Regulations specify certain obligations on the Securities Brokers, which include:

- Placing trading orders / instructions
- Transmission of contract notes / trade confirmation
- Provision of quarterly statements of trading account
- Provision of mandatory tariff structure to customers
- Margin deposits and receipts / payments for trading of securities
- Complaint handling mechanism
- Default management proceedings
- Other measures by customers for protection of their rights and assets



PLACEMENT OF TRADING ORDERS / INSTRUCTIONS

Customers should place trading orders / make instructions to the Securities Brokers, as per the acceptable mode of communication mentioned below;

- in writing, or
- telephonic communication over dedicated telephone line(s), routed through centralized call recording system, or
- online through internet based trading systems for each trade;

Verbal orders placed by the customer at the office of the Securities Broker are subject to receipt of written acknowledgement



TRANSMISSION OF CONTRACT NOTES / TRADE CONFIRMATION

Securities Brokers must transmit a contract note / confirmation to its customer;

- within 24 hours of the execution of transaction,
- which shall include all specified details of the trades as well as the commission rate and other applicable fees/levies charged on such trade(s).

The customer should:

- ensure receipt of contract notes from Securities Broker and verify its contents against the orders placed.
- bring any error or unauthorized trade in to the notice of the Securities Broker within One Trading Day, otherwise, the trade shall be considered conclusive and binding on the Customer.



PROVISION OF QUARTERLY STATEMENTS OF TRADING ACCOUNT

Every Securities Broker must provide a quarterly account statement to its customers;

- within 15 days from the close of each quarter through the agreed modes of communication, along with other relevant information to reconcile the executed trades.

The customer:

- should take up the matter of any error or discrepancy identified in the quarterly account statement with the Securities Broker, within seven (7) days of its receipt.
- has a right to obtain statements of their accounts specifying cash and portfolio positions from their broker at any point in time



PROVISION OF MANDATORY TARIFF STRUCTURE TO CUSTOMERS

The Securities Broker is required to provide duly signed tariff schedule to its customers at the time of opening account, containing, at minimum the following information:

- Commission rate and any other charges;
- Applicable regulatory levies i.e. trade or transaction fee of PSX, CDC, NCCPL and SECP etc. and statutory levies i.e. taxes and duties of federal and provincial government.

Any changes in;

- the rate of commission shall not be effective unless agreed and signed by the Customer and the Securities Broker.
- applicable regulatory and statutory levies should be communicated to the customer within 07 working days



MARGIN DEPOSITS AND RECEIPTS / PAYMENTS FOR TRADING

Customers should ensure;

- payment to the Securities Broker for purchase of securities on settlement date; and
- deposit all applicable margins as required by Securities Broker for their trades in any market.

The Securities Broker has the discretion to;

- liquidate the Customer's outstanding positions / securities to meet the margin shortfall in case of his failure to deposit additional margins within one trading day of the margin call (in writing); and
- transfer securities against which payment is not made on settlement date to its Collateral Account under intimation to PSX.

The customer should ensure to make payments to the Securities Broker in their own name:

- only for investment in, or trading of securities, bearing in mind that the Securities Broker does not offer fixed return on investment;
- in cash for amounts not more than PKR 25,000;
- only through crossed cheques/bank drafts/pay orders or any other banking channels, for amounts more than PKR 25,000;
- payments in cash more than PKR 25,000 only in exceptional circumstances.



COMPLAINT HANDLING MECHANISM

In case of a trade related dispute between a customer and Securities Broker which is not settled amicably, the customer may register his/ her complaint with the Regulatory Affairs Division of PSX (RAD).

- **The customer may register a complaint;**

- o by submitting the prescribed Investors' Complaint Form (available on PSX website) at investor.complaints@psx.com.pk, or
- o electronically at csir.psx.com.pk.

- PSX takes up the matter with the concerned Securities Broker and proceed for its resolution through;

- o Mediation, or where the dispute is not amicably settled, by
- o Arbitration; where disputing parties opts to apply for arbitration in accordance with the procedures prescribed under Chapter 18 of PSX Regulations.
- o The Permanent Arbitration Panel constitutes of industry experts, CEOs of Brokerage Houses, and representatives of PSX Senior Management Staff.
- o The arbitrators are independent and objective in their approach and provide equal hearing opportunity to the concerned parties before deciding any dispute.



DEFAULT MANAGEMENT PROCEEDINGS

In case of a default of a Securities Broker, PSX;

- constitutes Default Committee for handling matters relating to default,
- invites claims against defaulting Securities Broker, (PSX Website and advertisement in newspapers),
- appoints auditor for verification of claims,
- disburses available funds to approved claimants.

PSX settles approved claims of defaulter Securities Brokers from following sources;

- Base Minimum Capital (BMC) i.e. the collateral deposited by Securities Broker with PSX for its eligibility to trade through the Exchange Trading Systems. Where the approved claims are more than the amount realized from BMC, such claims are settled on prorata basis,
- Centralized Customers Protection Compensation Fund (CCPF) maintained by PSX which can be utilized for settlement of approved claims up to maximum of PKR 500,000 per customer



OTHER MEASURES BY CUSTOMERS FOR PROTECTION OF THEIR RIGHTS AND ASSETS

Customers should:

- Open Their Trading Account With The Securities Broker In Their Own Name, And Are Encouraged To Operate The Account Themselves;
- Furnish Authorization To A Trustworthy Person, In Writing, To The Securities Broker And Retain A Copy Of Such Authorization For Record Purpose;
- Sign The Following Reports After Verifying The Correctness And Completeness Of The Information Provided Therein And Also Obtain A Copy For Record Purposes,

- UIN Post Report, And
- CDC Setup Report

- Track Trading Activity Through Alerts For Trading/ Movement Sent By CDC/NCCPL



PRACTICES TO AVOID WHILE INVESTING IN STOCK MARKET

- Investing an amount with a securities broker against a payments of guaranteed profit/return.
- Extending a loan or other financing to a securities broker.
- Authorizing the securities broker or any of its employees to execute trade on behalf of the customer.
- Making investments on the advice of an unlicensed investment advisor.
- Subscribing to investment advice on social media by unregulated / unregistered persons



Contact Information:

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