

## **Guide Lines For Investor**

### **Trading**

It has been often observed that the investors do not exercise due care and diligence while making investment decisions or for that matter in their dealings with stock brokers. These practices generally lead to disputes and investors find themselves at a greater disadvantage. Following guidelines are given for the sole purpose of safeguarding the interest of the investor:

### **Please Ensure That**

- All purchase and sale orders are in writing and a proper record is maintained.
- As the nature of business is such that it would not be always possible for the investor to give instruction (Sale/Purchase) in writing, orders over the telephone would be accepted by the broker with the provision that in case of any misunderstanding in the verbal order, investor would accept the order executed as per broker's understanding. Therefore to avoid such disputes, it will be appropriate for the investor to obtain the written confirmation of his order (Purchase/Sale) at the earliest, preferably same day.
- All payments are made by cheque/pay order/demand draft and all acknowledgments are obtained in the name of stock broker (Member) of the Exchange only. No payment is made in the name of an agent or an employee of the stock broker. In case of cash payment, it must be ensured that the receipt from the stock broker is obtained in person and no other receipts is valid.
- All payments are received in the shape of cheque/pay order/demand draft, issued by the stock broker only and not by his agent or any other person.
- In case the investor is dealing with an agent of a stock broker, then the agent/person is an authorized agent/person and all receipts confirmations/deliveries are issued/made in the name of the stock broker on proper stationery, bearing the name of the stock broker.
- All physical deliveries of shares to and from the stock broker is documented and record maintained.
- When a scrip is not on the central depository system, physical delivery of all purchases is obtained within 14 days on the other hand if the scrip is in central depository system, such a scrip shall be transferred within 7 days from the date of receipt of a written request from the investor to deposit his/her shares with the CDC.

### **Please Do Not**

- Invest any money with the stock broker as deposit at a fixed rate of return under the garb of "Badla trades" such an investment has no legal coverage and as a result the investor is exposed to substantial risk of losing his investment.

- Be carried away with rumors in the market and always make prudent investment decisions and fully understand the nature of investment instruments and risk associated with them. As far as possible the investors should read the financial statements and seek professional advice before making investment in a particular scrip.

#### **Please Beware That**

- All offices outside the stock exchange, if not duly authorized, cannot execute the trades according to the provision of the law and as such the trades are not enforceable under the law and the investor can suffer a loss.
- No stock broker is authorized to pledge shares belonging to his client for borrowings from bank. In case the investor does not take delivery of his shares, he can expose himself to such a risk.

#### **The Investor Are Advised**

- To purchase shares against full payment and take deliveries for them in accordance with the settlement cycle. All other types of trade practices prevalent in the market are a potential risk and would not be covered under the term " investment " .
- That the stock broker is with in his legal rights to square an open position if the investor circumvents his obligation.

#### **If Maintaining A Sub-Account With CDC Through A Stock Broker The Investor Should**

- Obtain written confirmation of transfer of shares from or to his sub-account soon after the settlement date.
- Obtain the status of his holdings periodically and have it reconfirmed by the CDC.
- Not give his consent to the stock broker to pledge his shares with the bank for borrowing purposes.
- Open his account in the CDC at the earliest that would provide him with the necessary protection.
- Carry out required homework and identify investments that are suitable in the light of Overall investment objectives.

#### **Investors Are Cautioned**

- Not to enter into transaction involving financing or irregular badlas, as these transactions are not allowed under the rules & regulation of Islamabad Stock Exchange (Guarantee) limited.
- To make all payments to the brokers only through crossed cheques (payee's account only) and ensure obtaining proper receipts of the payment received, duly signed by the authorized persons.

- To deal only with the members' or their authorized agents for trading of shares.
- Open his account in the CDC at the earliest that would provide him with the necessary protection.
- To obtain their deliveries of shares purchased or sale proceeds of shares sold within 15 days of date of transaction. Investors have the option of opening their own accounts with the Central Depository Company.

#### **Some Other Guidelines For Trading In Stock Market**

- The investor should investigate into the past record of the Member and his reputation in this trade before opening an account with him.
- Keep your paper work complete when indulging in a bargain of shares or transacting cash. Payments through cheques are more appropriate. Obtain the printed receipt from the Member soon after making payments.
- Open your individual account with the Central Depository Company (CDC) as protective measures if you desire to carry on investing in the stock market.
- Monitor the stock market if you desire to carry on investing in the Stock Market.
- Obtain the payment against sale of your shares within 15 days.
- The Equity Investment is free from the element of interest which is forbidden in Islam.