General Disclosure

What are Shares & Stock?

Stock is a share in the ownership of a company. Stock represents a claim on the company's assets and earnings. As you acquire more stock, your ownership stake in the company becomes greater. Whether you say shares, equity, or stock, it all means the same thing.
They give the holder the right to receive dividend distributions and a vote at the company's annual meeting. The shareholders vote to elect the directors of a company who appoint the company's management. The shareholders have specific rights under corporate law and the company's bylaws. Companies whose shares are " publicly listed " on stock exchanges are required to provide information or "disclosure" to their shareholders in return for being publicly traded. Common shares are also referred to as "equity securities" or "equities" alluding to the accounting term "Owner's Equity"

What is Stock Exchange?

Pakistan Stock Exchange (PSX) Stock exchanges are entities which provide "trading" facilities for stock brokers and traders, to trade stocks and other securities. Stock exchanges have multiple roles in the economy such as raising capital for businesses, mobilizing savings for investment, Facilitating company growth, Profit sharing, opportunities for small investors. At HamariWeb.com Finance you can find world stock exchange, national and international online stock exchange information, stock exchange trading, stock exchange share prices, stock exchange indices, and foreign stock exchange websites. Find global and major list shares exchange markets and trading with daily online updated information.

What is the Role of Pakistan Stock Exchange?

Pakistan Stock Exchange Limited (PSX) (formerly: Karachi Stock Exchange (Guarantee) Limited (KSE) was established on September 18, 1947. It was incorporated on March 10, 1949. Only five companies were initially listed with a total paid-up capital of 37 million rupees. The first index introduced in KSE was based on fifty companies and was called KSE 50 index. Trading used to be carried out on open out-cry system. Computerized trading system called Karachi Automated Trading System (KATS) was introduced in 2002 with a capacity of 1.0 million trades per day and the ability to provide connectivity to an unlimited number of users.

In October 1970, under the Securities and Exchange Ordinance of 1969 by the Government of Pakistan, a second stock exchange was established in Lahore in response to the needs of the provincial metropolis of the province of Punjab. It initially had 83 members and was housed in a rented building in the crowded Bank Square area of Lahore. The LSE was the first stock exchange in Pakistan to use the internet.

Yet another stock exchange known as Islamabad Stock Exchange was established in Islamabad, the capital city of Pakistan on October 25, 1989 with the main object of setting up of a trading and settlement infrastructure, information system, skilled resources, accessibility and a fair and orderly market place that ranks with the best in the world and to cater to the needs of less developed areas of the northern part of Pakistan. It was licensed as a stock exchange on January 7, 1992.

All these three exchanges had separate management, trading interfaces, indexes, listing criteria etc and thus had no mutual links to each other. All three exchanges were previously operating as a non-profit organizations with mutualized structure wherein their respective members had trading as well as ownership rights. This structure inherently created conflict of interest and perceived to jeopardize the investors' interest. Therefore, the Stock Exchanges (Corporatization, Demutualization & Integration) Act, 2012 (known as "Demutualization Act") was promulgated by the Government. As a result these three exchanges were merged together to form a new combined exchange called Pakistan Stock Exchange Limited (PSX) which started its operations on January 11, 2016 under this new title.

As provided under the aforesaid Demutualization Act, now Members have ceased to be Members of PSX and they have been issued Trading Right Entitlement Certificates ("TRECs") and PSX's ownership shares, thus separating trading rights from ownership rights. Whereas TRECs represent trading rights, PSX shares represent ownership. Now, TREC holders need not be a shareholder of PSX nor a PSX shareholder is required to be TREC holder of PSX.

As envisaged under the provisions of the Demutualization Act, regulatory functions have been segregated from commercial functions of PSX, so that regulatory functions are not compromised for achievement of commercial objective of generating revenue. Moreover, under the provisions of the said Act, after demutualization, persons representing TREC holders on the PSX Board shall not be in majority and the Act also envisages divestment of shares of TREC holders held in their blocked accounts to strategic investors and general public/financial institutions within a certain time limit.

Karachi branch of Pakistan Stock Exchange is located on Stock Exchange Road, in the heart of business district of Karachi. The premises are known as Stock Exchange Building.

Market Indexes:

Detailed information about these indexes can be obtained from PSX's web site http://www.psx.com.pk

- **KSE 100 Index:**

  The KSE-100 Index was introduced in November 1991 with base value of 1,000 points. The Index comprises of 100 companies selected on the basis of sector representation and highest free-float capitalization, which captures over 80% of the total free-float capitalization of the companies listed on the Exchange. 35 companies are selected i.e. one company from each sector on the basis of the largest free-float capitalization and the remaining 65 companies are selected on the basis of largest free-float capitalization in descending order. This is a total return index i.e. dividend, bonus and rights are adjusted. It is revised after every six months for inclusion or exclusion of companies on the basis of above mentioned criteria.

  Free Float:
  Free-Float is the proportion of total paid-up shares issued by a company that are readily available for trading at a Stock Exchange. It implies that the shares held by controlling

directors, sponsors, promoters, government and other locked-in shares which are not available for trading in the normal course are excluded.

During 2012, the governing board of directors of the Pakistan Stock Exchange (formerly: Karachi Stock Exchange) decided to implement the KSE-100 Index on the basis of free-float market capitalization instead of total market capitalization. The Rules for composition and decomposition of the Index based on free-float methodology have remained un-changed other than selection of companies on the basis of free-float market capitalization as against total market capitalization.

- **KSE ALL Index:**

In 1995, the need was felt for an all share index to reconfirm the KSE-100 and also to provide the basis of index trading in future. By August 29, 1995 the KSE-All Share Index was constructed which became operative on September 18, 1995.

KSE-All Index is calculated using total market capitalization method.

- **KSE 30 Index:**

In June 2005, another benchmark index named KSE-30 was introduced with a base value of 10,000 index points to provide investors with a sense of how large companies' scrips of the Pakistan's equity market are performing over a period of time. Thus, the KSE-30 Index is designed in such a way that it becomes comparable over a period of time similar to other indicators that track various sectors of country's economic activity such as the gross national product, consumer price index etc.

KSE-30 Index is calculated using the free-float capitalization methodology.

- **KMI 30 Index:**

Introduced in September 2008, the objective of KSE-Meezan Index (KMI) is to serve as a gauge for measuring the performance of Shariah compliant equity investments. Besides tracking performance of Shariah compliant equities, its construction will increase investor trust and enhance their participation.
KSE-Meezan Index is also calculated using the "Free-Float Capitalization".

ALL SHARES ISLAMIC Index:

Introduced on November 18, 2015 as a joint effort by the management of Pakistan Stock Exchange (PSX) and Meezan Islamic Bank Limited.

The principal objective of the All Shares Islamic Index is to gauge the performance of the Shariah compliant segment of the equity market. Accordingly, it is important that all those shares which meet the Shariah screening criteria should be included in the All Shares Islamic Index in order to ensure completeness of the index and adherence to the core objective of the proposed All Shares Islamic Index.

The companies included in this index are selected on the basis of six factors selection criteria. A first criterion is that the core business of the company must be permissible in Islamic Shariah and also on ethical grounds. Other five factors determine the financial compliance of the companies. After selection, these companies pass through another six stage filter to exclude defaulter, non-operational companies along with all Mutual Fund companies.

What are the Different Types of Stock?

Common Stock

Common stock holders have partial ownership and enjoy voting rights in the company. Common stock shareholders are entitled to assets left over after creditors are preferred shareholders have been paid in full.

Preferred Stock

Preferred stock holders have ownership in the company but may not enjoy voting rights like their common stock holders. However, they do have other benefits. There are four classes of preferred stocks, outlined below:

1. **Cumulative**
   Shareholders have the right to accumulate dividend payments that were skipped in earlier years. They are the first to receive payments once the company resumes dividend payout.

2. **Non Cumulative**
   Shareholders do not accumulate skipped dividend payments.

3. **Participating**
   Shareholders receive more than the normal dividend payments if the company makes more than expected profit.

4. **Convertible**
   Shareholders can convert the preferred stock into a specified number of shares of common stock.

How does Trading Take Place?

Trade in stock markets means the transfer for money of a stock or security from a seller to a buyer. This requires these two parties to agree on a price. Equities (stocks or shares) confer an ownership interest in a particular company.

Participants in the stock market range from small individual stock investors to larger traders investors, who can be based anywhere in the world. Their buy or sell orders may be executed on their behalf by a stock exchange trader.

What is Settlement?

Settlement of securities is a business process whereby securities or interests in securities are delivered, usually against (in simultaneous exchange for) payment of money, to fulfill contractual obligations, such as those arising under securities trades.

What are the Different Trading Segments?

Whenever you buy or sell a stock there are two important dates of which you should always be aware: the transaction date and the settlement date. The abbreviations T+1, T+2, and T+3 refer to the settlement date of security transactions and denote that the settlement occurs on a transaction date plus one day, plus two days, and plus three days.
As its name implies, the transaction date represents the date on which the transaction occurs. For instance, if you buy 100 shares of a stock today, then today is the transaction date. This date doesn't change whatsoever as it will always be the date on which you made the transaction.

T+2 Settlement System Purchase and sale of securities is netted and the balance is settled on the second day following the trade. Provisionally Listed Counter The shares of companies, which make a minimum public offering of Rs.100 million, are traded on this segment from the date of publication of the offer documents. When the company completes the process of dispatch/credit of allotted shares to subscribers, it is officially listed and placed on the T+2 counter through the CDC. Trading on the provisionally listed counter then comes to an end and all the outstanding transactions are transferred to the T+2 counter with effect from the date of official listing. T+1 or Spot Transactions Spot transactions imply delivery upon payment. In spot transactions, the trade is generally settled within 24 hours. Futures Contract A futures contract involves the purchase or sale of a financial or tangible asset at some future date, at a price fixed in the present.

How do you Trade?

As a private investor in order to buy and sell shares on the Stockmarket you need to use a Stockbroker. There are three types of service offered by stockbroker that you could use:

Discretionary services

This gives broker or investment manager complete authority to buy and sell shares for you without obtaining your prior approval. This will be in the context of a carefully-designed brief, a clear framework for your portfolio manager to use when making transactions on your behalf. The advantage is that your manager can therefore act instantly on changes in the market, rather than spending valuable time trying to contact you. You will receive a contract note every time a transaction is made and detailed reports will be sent to you regularly.

Advisory services

Begin with the creation of another carefully-designed brief setting out investment objectives, but this time it affords the investment manager an insight into the level of advice you will need. Instead of managing the portfolio without consulting you, your investment manager will suggest courses of action which you may or may not choose to take. As well as verbal or written advice, you may receive regular newsletters which review the market.

A second kind of advisory service gives you access to this advice, but still allows you to control your own portfolio and manage your own bargains. Essentially you simply call your professional and ask whether he or she shares your view on whether you should buy or sell a particular share.

Execution only

Execution only services are generally the cheapest as they do not require advice or management - you simply tell your stockbroker to buy and sell shares for you. Because of the increasing knowledge of investors and the wider access to these services the use of execution only stockbrokers has increased dramatically over recent years.
Most execution only brokers allow you to trade over the telephone or over the internet.
The internet has changed the face of share trading for the private investor as today's on-line trading platforms allow you instant access to the market at the touch of a button.

How can one become a Shareholder?

Initial Public Offering (IPO) when companies offer stock to the general public for the first time, it is called a flotation or IPO. These shares can be bought directly from the company without using the services of a broker. For example, investors may see an advertisement in a newspaper from a company issuing shares. The investor has to simply fill in the share subscription form and deposit the form along with a cheque for the subscription amount in a branch of the designated bank(s) for the IPO.

Right Issue

Right shares are issued when companies need to raise additional capital to finance their new expansion projects or to meet working capital needs, etc. In case of rights issues, the existing investors have the right to subscribe to these new shares in proportion to their respective shareholding.

What are the costs of buying and selling shares?

The costs of buying and selling share will depend on the type of service that you are using and the broker that you are using, for an execution only service you will have two costs to take into account.

How are share prices displayed / quoted?

All share prices are quoted with a “two way price “a bid and offer spread which is the price that you can buy (the offer) and the price that you can sell (bid) the particular share. This price will update constantly throughout the market opening hours

What are the Criteria for Stock Selection?

Following are some criteria worth evaluating when selecting stocks: Earnings growth Price/Earnings (P/E) ratio Dividend yield Market capitalization Relative strength Sector analysis Research analysis Annual report analysis

What are the Criteria for Stock Selection?

Several stock selection strategies can be employed. A few of them are mentioned below:

Buy and Hold

The buy and hold principle rests on the assumption that in the long term, stock prices and the market as a whole will rise, despite short term intermediary fluctuations.

Market Timing

Market timing employs an opportunistic strategy which suggests that it is sensible to buy when the market is low and sell when it is high in order to maximize profit.

Growth

The growth strategy maintains that companies with high earnings growth are able to pay high dividends to the investors and will do well in the long run.

Value

Value investing focuses on traditional valuation metrics such as the P/E ratio.

Income

Income investors buy stocks that pay the highest dividends. They focus primarily on securing a steady income stream instead of pursuing capital gains.

What are the Central Depository Company of Pakistan Limited (CDC) and the Central Depository System (CDS)?

Central Depository Company is recognized as the infrastructure backbone of the Pakistan Capital Market and it is the sole securities depository in the country. In the past two decades, CDC has also evolved as one of the leading and most prestigious infrastructure institutions in Pakistan with a focus on the capital market.

CDC is the sole entity handling the electronic (paperless) settlement of transactions carried out at the stock exchanges of the country. Through efficient functioning of CDC, all the market settlement is in book entry form.
Primarily, CDC's function was to operate the Central Depository System (CDS) for all financial instruments traded in Pakistan Capital Market. However, with the ever growing capital market, we have diversified our business beyond the traditional depository domain and offer the following services as well:

Investor Account Services

- Launched in 1999
- Allows the retail investor to open and maintain custody accounts directly with CDC.

Trustee and Custodial Services

- Launched in 2002
- Serves as a Trustee to Open-end and Closed-end Mutual Funds and Voluntary Pension Schemes.

Share Registrar Services

- Launched in 2008
- Provides share issuing companies state-of-the-art facilities of registrar and transfer agents, including customer dealing on behalf of the companies.

IT Minds Limited

(Wholly owned subsidiary of CDC)

- Launched in 2009
- Provides IT Consultancy, Implementation and Outsourcing Services.

What are the Different Types of Investment Analyses?

Fundamental Analysis The value of a security is evaluated by studying the financial data of the issuer. Focusing on the business fundamentals, it analyses the assets, liabilities, expenses along with the management and position of the issuer in the industry. Fundamental analysis is useful for a long-term investor looking for companies with solid foundation, growth and income potential, or for a short-term investor looking for companies that are on the verge of being discovered. Technical Analysis The value of a security is evaluated by studying market statistics. Unlike fundamental analysis, technical analysis disregards the issuer financial statements, focusing more on the market trends which include the upward or bullish trend and downward or bearish trend. Technical analysis is useful for a long-term investor who is not as concerned about one company's fundamentals because he or she will diversify to minimize risk, or for a short-term investor who is waiting for investor sentiment to change.

COMMON TERMS USED FDM TRADE CAST

Sr.No	**Symbol Used**	**Description**
01.	**Market**	The type of Market trade which Security Falls
02.	**Symbol**	Unique Short Name of Company assigned to any particular script of PSX.
03.	**Change**	Difference between the last traded and previous Closing day Price.
04.	**Buy Volume**	Number of Securities investor Intends to buy
05.	**Buy**	The rate at which He/She intends to buy and execute
06.	**Sell Volume**	Number of Securities investor Intends to Sell
07.	**Sell**	The rate at which He/She intends to sell and execute
08.	**Last Volume**	Number of Securities executed / Trade in Previous Last Trade
09.	**Last Price**	The Price at which the Last Trade took place
10.	**Total Volume**	Total Number of Securities Trade in a day/ time
11.	**Average**	Total value of Security traded, divided by Number of Securities

		traded
12.	**High**	The rate at which the Security traded reaches High
13.	**Low**	The rate at which the Security traded reaches Low
14.	**Previous Close**	Previous day closing Price
15.	**Trade Time**	The time at which the trade took Place
16.	**Limit Order**	A limit order is when the user enters the order into the system with a specific price
17.	**Market Order**	A market order is when the user enters the order into the system without a specific price. The system will execute the order irrespective of price. The system will search for the quantity of order to be completed at any available price. In a rapidly moving market, a market order may be executed at a price higher or lower than the quote displayed on the website at the time of order entry.
18.	**Market Lots**	Market Lot is the normal unit of trading for a security, which is usually 500 shares of stock having price less than Rs.50/- and 100 shares of stock having price above Rs.50/-.
19.	**Odd Lots**	For stocks, any transaction less than the market lot is usually considered to be an odd lot. These odd lots cannot be traded on the regular market and hence the Karachi Stock Exchange has initiated a separate ODD Lots Market.
20.	**Margin Call**	A margin call most often occurs when the amount of actual capital the investor has, drops below a set percent of the total investment. A margin call may also be triggered if the broker changes their minimum margin requirement which is the absolute minimum percentage of the total investment that one must have in direct equity.
21.	**Stop Loss Order**	A stop-loss order is a request to sell a security once the market price reaches or falls below an investor-specified price. Once the target price has been reached or surpassed, the order becomes a "market" order. This is especially true in a fast-moving market where stock prices can change rapidly. A stop-loss order is typically used to sell a security, to lock in profits or limit losses if a security price falls. Setting a stop-loss order for 5% below the price at which you bought the stock will limit your loss to 5%. Stop-loss orders are only available when selling a security to close a position.
22.	**Short Sell**	Short selling refers to the practice of selling securities in the hope of repurchasing them later at a lower price. This is done in an attempt to profit from an expected decline in price of a security. Such as a stock or a bond, is contrast to the ordinary investment practice, where an investor "goes long," purchasing a security in the hope the price will rise.

Trading Process

Ready Market

Trading T+0

The "T" in T+0 and T+1 refers to the number of trading days for a trade to "settle"

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ORAL CONFIRMATION

Trader informs the client once the orders are successfully executed

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CONFIRMATION

MEMO of Confirmation and/or Email is sent to the client, confirming the details of the transactions along with commission charged.

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T+2

Shares are transferred to client's CDC Sub-Account. The client has to make sure that outstanding amount (if any) is paid against the trade execute on T+0

Related Information

Ready Market

All regular market transactions follow the T+2 settlement system

SPOT/T+1

Transactions are settled the same day or the next day, when investors trade in share 5 days before the company's share transfer book closure

Future Market

Other that depositing margins as required by TSL from time to time, the client's trade will be mark to market (MTM) on daily basis, whereby MTM losses have to be paid by the client on daily basis until expiry of the contract or until open positions are closed out.

MTS Market

Other that depositing FPR (finance participation ratio) of 15%, the client's trade will be mark to market (MTM) on daily basis, whereby MTM losses have to be paid by the client on daily basis. MTS transactions extend to 60 days.

RISK OF SECURITIES TRADING

Market & Economy Risk:

The Performance of any company depends on the growth of an economy. An economy, which continues to prosper, ensures that companies operating in it benefit from its growth. However, and equity shareholder also runs the risk of nay downturn in the economy affecting the performance of his company. Economy related risks are usually reflect in the factors such as GDP growth, Inflation, Balance of payment positions, interest rates, credit growth etc. A Slowdown in the economy pinches almost all sectors, especially Infrastructure, services and manufacturing companies.

Business Risk:

Business risk is a function of the operating conditions faced by a company and the variability that these conditions inject into operating income and hence expected dividends. Business risk can be classified into two broad categories: external and internal. Internal business risk is largely associated with the efficiency with which a company conduct its operations within the broader environment imposed upon it.

External risk is the result of operating conditions imposed upon the company by circumstances beyond its control.

Financial Risk:

Financial risk is associated with the way in which a company finances its activities. A company, borrowing money for business, creates fixed payment obligations in form of interest that must be sustained. Beyond a specified limit, the residual income left for shareholders gets reduced, thereby affecting the returns on shares. More importantly, its increases default risk i.e. a heavily leveraged company, is at a greater risk of not being able to meet its liabilities and hence going bankrupt.

Exchange Rate Risk:

Companies today earn sizable revenues from outside their parent country. Hence, any appreciation in the currency, adversely affects earnings, which results in failing or stagnant share prices.

Inflation Risk:

Rising price or inflation reduces purchasing power for the common man resulting in a slowdown in the demand in the economy. This has implications for all the sectors in the economy. Hence in an inflationary environment, share prices of most companies face a downturn as the expected fall in demand reduces their future expected income.

Interest Rate Risk:

Interest rate risk refers to the uncertainty of future market values and size of future income, caused by fluctuations in the general level of interest rates. Rising interest rates increase cost of borrowing, which results in an increase in the prices of products and a corresponding slowdown in demand. Hence, an interest rate hike affects share prices of companies cutting across the board.

How to overcome risks:

Most risks associated with investments in shares can be reduced by using the tool of diversification. Purchasing shares of different companies and creating a diversified portfolio has proven to be one of the most reliable tools of risk reduction.

The process of diversification:

When you hold shares in a single company, you run the risk of a large magnitude. As your portfolio expands to include shares of more companies, the company specific risk reduces. The benefits of creating a well diversified portfolio can be gauged from the fact that as you add more shares to your portfolio, the weight age of each company's share gets reduced. Hence any adverse event related to any one company would not expose you to immense risk. The same logic can be extended to a sector or an industry. In fact, diversifying across sectors and industries reaps the real benefits of diversification. Sector specific risks get minimized when shares of other sectors are added to the portfolio. This is because a recession or a downtrend is not seen in all sectors together at the same time.

However all risks cannot be reduced:

Though it is possible to reduce risk, the process of equity investing itself comes with certain inherent risks, which cannot be reduced by strategies such as diversification. These risks are called systematic risk as they arise from the system, such as interest rate risk and inflation risk. As these risks cannot be diversified, theoretically, investors are rewarded for taking systematic risks for equity investment.

We would like to contact our IT Department or if you have any quires regarding this notification, please call the Customer Service Department and are mentioned below;

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Call Mr. Zahid

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