KTRADE SECURITIES LIMITED
(Formerly KHADIM ALI SHAH BUKHARI SECURITIES LTD.)

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RISK DISCLOSURE DOCUMENT

THIS PROVISION SHOULD BE READ CAREFULLY BY THE PROSPECTIVE ACCOUNT HOLDER(S) BEFORE SIGNING THE ACCOUNT OPENING FORM AND SHOULD BE READ IN CONJUNCTION WITH THE RULES AND REGULATIONS RELATING TO SECURITIES, ESPECIALLY THOSE OF THE PAKISTAN STOCK EXCHANGE AND OTHER REGULATORY AUTHORITIES

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 customers 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 a 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 products in any direction. High volatility generally means that the values of securities/contracts 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 ones. 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 ci 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 the 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 actor(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 o 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 oat (the total number of shares outstanding that are readily available for trading) etc. Generally, low liquidity, high volatility and low free oat 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 a act 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 than taking well informed investment decisions in the 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 the order's 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 taxes/levies may alter the potential pro t of an investment. Some policies of the government may be focused more on some sectors than others thereby affecting the risk and return pro le of the investment of the customers in those sectors.

2. RISKS IN DERIVATIVE AND LEVERAGE PRODUCTS:

Derivative and leveraged trades enable the customers 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 products namely Deliverable Futures Contract, Cash Settled Futures Contract. Stock Index Futures Contract and Index Options Contract 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 mark-up 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:

1. 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 for 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.
2. 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.
3. The customer needs to be cautious of claims of large products 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.
4. 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
5. The customer may and it difficult or impossible to liquidate/square-up a position due to certain market conditions. Generally, the customer enters into an o setting transaction in order to liquidate/square-up a position in a derivative or leverage contract or to limit the risk. If the customers 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 customers can liquidate position, they may be forced to do so at a price that involves a large loss.
6. 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.
7. The customer may be required to settle certain futures contracts with physical delivery of the underlying security. If the customer hold position in a physically settled equity futures contract until the end of the last trading day prior the expiration, the customer shall be obligated to make or take delivery conditions before entering into an equity futures contract.
8. Day trading strategies involving equity futures contract and other products pose special risks. As with an financial product, customers who seek to purchase and sell the same equity futures in the course of a day to pro t from intraday 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 exgaging in dya trading. The customer should obtain a clear explanation of all commisions, 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 ASSET HELD WITH BROKERS:

The customer should familiarize himself/herself with the measures avaialble for protectig 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 cusotmer 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 cusotmer recongnizes 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 cusotmers must understand their rights and obligations of the brokers specified under the PSX Pegulations 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 Rules, Regulations, Guidelines, Circulars etc. as may be issued by SECP and PSC from time to time.

1. The customers should ensure that they dealthrough the registered branch and with the registered Agents/Traders/Representatives of the broker The cusotmer shall also verify such details from the website of PSX and Jamapunji (www.jamapunji.pk);
2. 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 cusotmer will be liable to pay and these charges will affect net cash in ow or out ow;
3. It is obligatory for the brokers to issue contract note, in either electronic form or hard copy, by next working day of trading. The ocntract note shall contain all information related to trade execution including comission 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 the PSX;
4. The customers should match the information as per the contract notes with the SMS/e-Alert recieved from CDC and/or NCCPL and may also verify from the UIS Facility from the website of NCCPL.

COMPLIANCE OFFICER