WEALTH STREET (PRIVATE) LIMITED

RISK DISCLOSURE DOCUMENT

1. 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.
2. 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. Customers should carefully read this document before opening a trading account with a broker.
3. 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.
4. Customers must acknowledge and accept that there can be no guaranteed profit or guaranteed return on their invested capital and under no circumstances can a broker provide customers such guarantee or fixed return on their investment in view of the fact that the prices of securities and futures contracts can fall as well as rise depending on market conditions and the 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 customers have any doubt or are unclear about the risks/information disclosed in this document, PSX strongly recommends that such customers seek independent legal or financial advice in advance.
5. PSX neither singly nor jointly and expressly nor impliedly guarantees nor makes 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.
6. **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 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 changes in market prices. Such volatility can also cause price uncertainty of 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 the greater the number of orders available in the market, the greater 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 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, orders of customers may only be partially executed, may be executed with relatively greater price differences, or may not be executed at all. Under certain market conditions, it may be difficult or impossible for 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 a security/contract with the expectation that it will become more valuable in the very near future. These transactions aim to profit from fluctuations in the market value of securities rather than the fundamental value of a security and/or underlying attributes embodied in the securities such as dividends, bonuses, or any other factors 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.

A 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 off and closed and no settlement obligations stand. Customers indulging in a day-trading strategy need to be more vigilant and informed than customers investing for a longer period, as the 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 Market Makers or trading parties. The size of the spread is affected by several factors such as liquidity, volatility, free float (the total number of shares outstanding that are readily available for trading), etc.

Generally, low liquidity, high volatility, and low free float levels of a security may result in relatively wider Bid-Ask Spreads. A higher Bid-Ask spread can result in greater costs to customers.

1.5 RISK PERTAINING TO PRICE FLUCTUATIONS DUE TO CORPORATE ANNOUNCEMENTS:

Corporate announcements by issuers regarding corporate actions or any other material information may affect the price of securities. These announcements, combined with relatively lower liquidity of the security, may result in significant price volatility. Customers, while making any investment decision in such securities/contracts, are advised to take into account such announcements. Moreover, customers should be cautious and vigilant in case fake rumors are circulating in the market. Customers are advised to refrain from acting purely based on such rumors and instead make well-informed investment decisions in light of all facts and circumstances associated with such securities and their issuers.

1.6 RISK WITH REDUCING ORDERS:

Customers can place orders to limit losses to certain amounts, such as Limit Orders, Stop Loss Orders, and Market Orders. Customers must ask their brokers for a detailed understanding of these order types. Customers must acknowledge that placing such orders to limit losses to a 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 frequently occurs at market opening and before market close. Such high volumes may also occur at any point in the day, causing delays in order execution or confirmation. During periods of volatility, due to market participants continuously modifying their order quantities 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, a combination of technologies, and computer systems to place and route orders. All these facilities and systems are vulnerable to temporary disruptions or failures, or any other problems/glitches, which may lead to failure to establish access to the trading system/network. Such limitations may result in delays in processing or processing of buy or sell orders in part only or non-processing of orders at all. As with any financial transaction, customers may experience losses if orders cannot be executed normally due to system failures on the part of the exchange or broker. Losses may be greater if the broker handling customers' positions does not have adequate backup systems or procedures. Accordingly, customers are cautioned to note that although these problems may be temporary in nature, when 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:

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 delays in transmitting information or executing instructions due to technological barriers. Moreover, customers acknowledge and fully understand that they shall be solely responsible for any consequences arising from the disclosure of access codes and/or passwords to any third person or any unauthorized use of 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 profit of an investment. Some government policies may focus more on certain sectors than others, thereby affecting the risk and return profile of customers' investments in those sectors.

2. RISKS IN DERIVATIVE AND LEVERAGE PRODUCTS:

Derivative and leveraged trades enable customers to take larger exposure with smaller amounts of investment as margin. Such trades carry a high level of risk, and customers should carefully consider whether trading in 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 investments involving the full amount. Therefore, customers should trade in derivative and leveraged products in light of their experiences, objectives, financial resources, and other relevant circumstances.

Derivative products such as Deliverable Futures Contracts, Cash Settled Futures Contracts, Stock Index Futures Contracts, and Index Options Contracts, and leveraged products such as Margin Trading System, Margin Financing, and Securities Lending and Borrowing are available for trading at the stock exchange.

Customers transacting in the derivative and leveraged markets need to carefully review the agreement provided by brokers and also thoroughly read and understand the specifications, terms, and conditions, which may include markup rates, 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:

2.1 POTENTIALLY UNLIMITED LOSSES:

Trading in derivative and leveraged markets involves risks and may result in potentially unlimited losses that are greater than the amount deposited with the broker. As with any high-risk financial product, customers should not risk any funds they 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.

2.2 RISKY TRADING STRATEGIES:

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.

2.3 MISLEADING PROFIT CLAIMS:

Customers need to be cautious of claims of large profits 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.

2.4 EFFECT OF LEVERAGE:

Because of the leverage involved and the nature of equity futures contract transactions, customers may feel the effects of their 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 customers have deposited or will have to deposit. This may work against customers as well as for them. Customers may sustain a total loss of initial margin funds and any additional funds deposited with the broker to maintain their positions. If the market moves against their positions or margin levels are increased, customers may be called upon to pay substantial additional funds on short notice to maintain their positions. If customers fail to comply with a request/call for additional funds within the specified time, their positions may be liquidated/squared-up at a loss, and customers will be liable for the loss, if any, in their accounts.

2.5 DIFFICULTY IN LIQUIDATING POSITIONS:

Customers may find it difficult or impossible to liquidate/square-up a position due to certain market conditions. Generally, customers enter into an offsetting transaction to liquidate/square-up a position in a derivative or leveraged contract or to limit the risk. If customers cannot liquidate positions, they may not be able to realize a gain in the value of their positions 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, or if no trading occurs due to the imposition of circuit breakers or system failures by the exchange or broker handling customers' positions. Even if customers can liquidate positions, they may be forced to do so at a price that involves a large loss.

2.6 PRICE DISPARITIES:

Under certain market conditions, the prices of derivative contracts may not maintain their customary or anticipated relationships to the prices of the underlying securities. 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.

2.7 PHYSICAL DELIVERY OBLIGATIONS:

Customers may be required to settle certain futures contracts with physical delivery of the underlying security. If customers hold positions in physically settled equity futures contracts until the end of the last trading day prior to expiration, they shall be obligated to make or take delivery of the underlying securities, which could involve additional costs. Customers should carefully review the settlement and delivery conditions before entering into an equity futures contract.

2.8 SPECIAL RISKS FOR DAY TRADING:

Day trading strategies involving equity futures contracts and other products pose special risks. As with any financial product, customers who seek to purchase and sell the same equity futures in the course of a day to profit from intra-day price movements ("day traders") face a number of special risks, including substantial commissions, exposure to leverage, and competition with professional traders. Customers should thoroughly understand these risks and have appropriate experience before engaging in day trading. Customers should obtain a clear explanation of all commissions, fees, and other charges for which they will be liable. These charges will affect net profit (if any) or increase loss.

3. GENERAL:

3.1 ASSETS HELD WITH BROKERS:

Customers should familiarize themselves with the measures available to protect against the risk of misappropriation or misuse of cash and securities held with brokers. For such purposes, customers may opt for the UIN Information System (UIS) provided by National Clearing Company of Pakistan Limited (NCCPL). Customers should also provide correct mobile numbers/email addresses to receive SMS/e-Alerts services provided by NCCPL and Central Depository Company of Pakistan Limited (CDC) on each trade and movement of their securities. Moreover, customers should be aware of the protections given to money and securities deposited with brokers, particularly in the event of a default by such broker or the broker's insolvency or bankruptcy. Customers recognize that in such default/insolvency/bankruptcy scenarios, they may recover their money and/or property to the extent governed by relevant PSX Regulations and/or local laws in force from time to time.

3.2 CUSTOMERS' RIGHTS AND OBLIGATIONS:

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 Leveraged Products (Margin Trading System, Margin Financing, and Securities Lending and Borrowing), where applicable, and any other applicable Rules, Regulations, Guidelines, Circulars, etc., as may be issued by SECP and PSX from time to time.

Customers' Rights and Obligations include:

(a) **Dealing Through Registered Channels:** Customers should ensure that they deal through the registered branch and with the registered Agents/Traders/Representatives of the broker. Customers shall also verify such details from the PSX website and Jamapunji (www.jamapunji.pk).

(b) **Understanding Fees and Charges:** At the time of establishing a relationship with brokers, customers should obtain a clear explanation of all brokerage, commission, fees, and other charges for which they will be liable. These charges will affect net cash inflow or outflow.

(c) **Receipt of Contract Notes:** It is obligatory for brokers to issue a contract note, in either electronic form or hard copy, by the next working day of trading. The contract note shall contain all information relating to trade execution, including commission and charges applicable to the customers. In case a contract note is not issued, customers should inquire with the broker immediately and, if the matter is not resolved, report the same to the PSX.

(d) **Matching Contract Notes with Alerts:** Customers should match the information in the contract notes with the SMS/e-Alerts received from CDC and/or NCCPL and may also verify through the UIS facility available on the NCCPL website.