



Institute of Capital Markets

# Investor Protection

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# CONTENT

## INVESTOR PROTECTION

<b>1.</b>	<b>Investor's Rights and Responsibilities</b>	<b>1</b>
1.1	How to select a broker	1
1.1.1	Opening of CDC Account	1
1.1.2	Ensuring/Securing the Investments	2
1.2	Avoiding Scams	3
1.3	Do's and Don'ts of the Stock Market	4
1.4	How to lodge a Complaint	5
1.4.1	Procedure and Requirements for Lodging a Complaint	6
1.4.2	An overview of Arbitration Process at the Stock Exchanges	9
1.4.3	Investor Complaints / Grievances addressing process at PMEX	11
1.4.4	Procedure for Making Complaints against Insurance Companies	13
	Annexure: Contacts of Key Institutes	14

## INVESTOR PROTECTION

### 1. Investor's Rights and Responsibilities

#### 1.1 How to select a broker

Selecting a broker is one of the most critical decisions that you have to take, when making capital market investments. Brokers work as a link between Exchanges and investors. Their job is to help you get the best price available when looking to transact in shares. As an investor, you should thus be careful in selecting a broker. Before making any deals you should ensure that the broker is registered with the Securities and Exchange Commission Pakistan (SECP) to trade and that the brokerage firm has a good track record. A list of all registered brokers is provided on the exchanges and SECP websites. You should also visit and meet the broker in person before making any decisions. If you know any of the brokers existing clients, call them up and ask about the broker's quality of service. Finally, if you are going to entrust the broker with money you don't want to lose, it would be better if you are aware of the broker's credentials.

##### 1.1.1 Opening of CDC Account

As an investor you have an option to open either a Sub-Account or an Investor Account with the Central Depository Company (CDC). Sub Accounts are opened with participants of the Central Depository System (CDS) which mainly include brokers and banks that maintain the account on behalf of their clients, whereas investor accounts allow investors to directly open an account with the CDC for maintaining their portfolio instead of keeping their securities with CDS Participants.

### 1.1.2 Ensuring/Securing the Investments

In case of opening a sub-account, you should obtain a copy of the account opening form along with a system generated printout of registration details of the account from the participant immediately at the time of opening the account, to ensure correctness of registration details.

The account balance statement will be dispatched via email directly to an account holder, this service is only available to those account holders who have provided their email addresses in their account details and have opted for e-Statement on a monthly/quarterly basis. However, if the email address is not provided or you have not opted for e-Statement then it is the responsibility of the Participant to dispatch the physical statement to you on a quarterly basis. Investor Account Services (IAS) dispatches physical statements to account holders on half yearly basis.

As an account holder you should ask your Participant to activate the following free of cost CDC Access Services to get updated information about activities in your account:

**IVR** - a round-the-clock Interactive Voice Response system, supported by state-of-the-art call centre. (0800-23275)

**Web** - enables account holders to access their account information via web, (<https://www.cdcaccess.com.pk>)

**SMS** - gives an added level of convenience to investors by keeping them informed about activities in their account through their mobile phones.

**e-Statement** - sends account balance statements to the account holder's email address on a monthly or quarterly basis.

**e-Alert**- provides real-time email alerts about account activities to account holders.

You can also obtain your account balance report either through CDC Access or from CDC offices located in Karachi, Lahore & Islamabad to reconcile your holdings.

You should visit the CDC Website ([www.cdcpakistan.com](http://www.cdcpakistan.com)) from time to time to update yourself on new developments and updates .

## 1.2 Avoiding Scams

As an investor you need to beware of promises of quick profits or sky-high returns. If the returns are too good to be true, they probably are, but it must be kept in mind that the higher the gains on investments, the higher will be the risk involved. However, this is the fundamental risk-reward trade-off. You are advised to monitor your investments on a regular basis and to investigate rapid price changes occurring in your investments to avoid losses. There are regulations protecting investors from such scams and it is essential that you are aware of your rights and responsibilities. In case you have a question or concern about your investment, it is recommended that you contact officials at the SECP. Some of the essential rights you have as an investor are summarized below:



- To receive copies of the annual report, balance sheet, profit and loss account and the auditor's report
- To participate and vote in general meetings either personally or through proxies
- To receive dividends in due time, once approved in general meetings
- To receive corporate benefits like right shares, bonus shares, etc. once approved
- To apply to the SECP to investigate the affairs of the company

There are many unregulated agents masquerading as representatives of foreign brokers who try to offer trading in international commodities and currencies. You should ensure that you only open accounts with an SECP registered broker of PMEX for trading of commodities. KSE, LSE, ISE and PMEX are the regulated platforms for trading in Pakistan. Trading on any other platform falls outside the regulated area and will not provide you with any protection. Under SECP regulations, only a registered broker can receive money from clients for trading on the recognized exchanges of the country. Money obtained for any other purpose is a violation of regulations and as an investor you must ensure that your broker is only offering products that are approved and regulated for trading in Pakistan.

### 1.3 Do's and Don'ts of the Stock Market

The stock market is driven by two human emotions: greed and fear. People are usually caught up in the boom fever and pay beyond the actual worth of shares. This is the greed that drives bull markets. You should never allow greed to become a need. In bear markets, people get carried away with the ruling pessimism and are eager to sell their investments believing in the worst rumors. This is the fear that dominates bear markets. The aim of investing in stocks and shares is to maximize returns and minimize risks, but knowing how to do so is always a challenge.

Many investors attempt to time the market. They try to figure out when the market is going up and buy before it does, and then anticipate when it is going to crash and sell before that. In order to get maximum returns with minimizing the risk factor, you must try and buy shares when the upswing has begun and sell as the downswing starts. However, such accuracy is extremely difficult to determine. As a general rule you should research your planned investments thoroughly to analyze any trends and avoid investing based on tips and rumors.

#### **1.4 How to lodge a Complaint**

In case of complaints against the Exchange and/or the broker/brokerage house, the Securities and Exchange Commission of Pakistan can be approached at the address of the SECP Office mentioned at the end of the document.

Timely complaints enable Exchanges to identify trading violations. Losing money through dealing in securities is not in itself reason enough for a client to have a case against a Member. However, it is the responsibility of the Member to invest money according to the client's instructions. There are certain malpractices against which a client can lodge a complaint such as

- Unauthorized trading (Sale/Purchase).
- Unauthorized transfer/movement of shares.
- Non-supply of statements of account.
- Non-supply of trade confirmations within 24 hours.
- Overcharged Commission.
- Failure to execute investors' instructions/orders.
- Suspension of payment and Non-Delivery of Securities.



### 1.4.1 Procedure and Requirements of Lodging a Complaint

A client can file a complaint through the following measures:

1. In order to lodge a complaint against a Broker/Member of the Exchange, it is advised that the investor should first immediately contact the broker about any transaction that you do not understand or did not authorize the broker to undertake.
2. In case you are not satisfied with the broker's response, you must contact the firm's branch manager or compliance department. If the money has been lost or there has been an unauthorized trade made in your account, you should complain in writing and also retain copies of the letter and of all other related correspondence with the brokerage firm.
3. If you still remain unsatisfied with the firm's response, then you are advised to lodge a complaint with the SECP.



- **Lodging a Complaint with the SECP**

Complaint Registration Form is available on the website of the SECP (<http://www.secp.gov.pk/ComplaintForm1.asp>). Investors having a complaint are required to fill the form with complete information and forward duly signed complaint registration form along with all necessary documents to an SECP office. Complaints can also be made at the email address [complaints@secp.gov.pk](mailto:complaints@secp.gov.pk).

Furthermore, the SECP has developed an online complaint handling system for various categories of complaints received with status updates provided to investors. A 24 hour automated helpline is in place for investors in both English and Urdu to improve investor protection services offered by the SECP. The service desk facility provides a centralized system for handling complaints and queries received electronically, through telephone or letters. The SECP complaint handling system includes the following:



- UAN (111 117 327)
- Live call center support from 08:30 am to 05:30 pm
- IVR (Interactive voice response) enabled from 05:30 pm to 08:30 am

Complaints and queries that may be submitted to the SECP include; General enquiries & complaints and specialized complaints pertaining to multiple business areas of the SECP [Listed Companies, Self Regulatory Organizations, Insurance, Securities Markets, Specialized Companies (Asset Management Companies, Modarabas, Non-Bank Finance Companies, Pension Funds, etc.) and eServices].

The complaint upon receipt should be immediately acknowledged. For ease of processing and efficient response to your complaint should contain the following information:

- The name of the Brokerage firm and the individuals at the firm with whom you dealt;
- The name of the security or securities that are the subject of the complaint, or a detailed description of the practice or behavior that is the subject of the complaint;
- The date or dates of the problem activity or transaction;
- A detailed description of the events and circumstances surrounding the activity that is the subject of your complaint;
- Your complete address and a phone number or email address through where the status of the complaints can be informed.
- Attached scanned copies of all relevant documents
- Reminders should be set in case a timely response is not received

### Other Methods available to investors for complaining

- **Stock Exchanges Arbitration Committee:** As an investor/client you have the option to bring your complaint to the management of the exchanges. As front line regulators stock exchanges are empowered to take cognizance of complaints against the Members under the approved Rules and Regulations. After careful review of all documents provided by the parties an Arbitration Award may be passed in accordance with the Rules and Regulations.
- **Civil Court:** You can also file your complaint with the Civil Courts. It is however suggested that you initially take up a complaint with the broker before approaching any of the above to seek a resolution.

#### 1.4.2 An overview of Arbitration Process at the Stock Exchanges

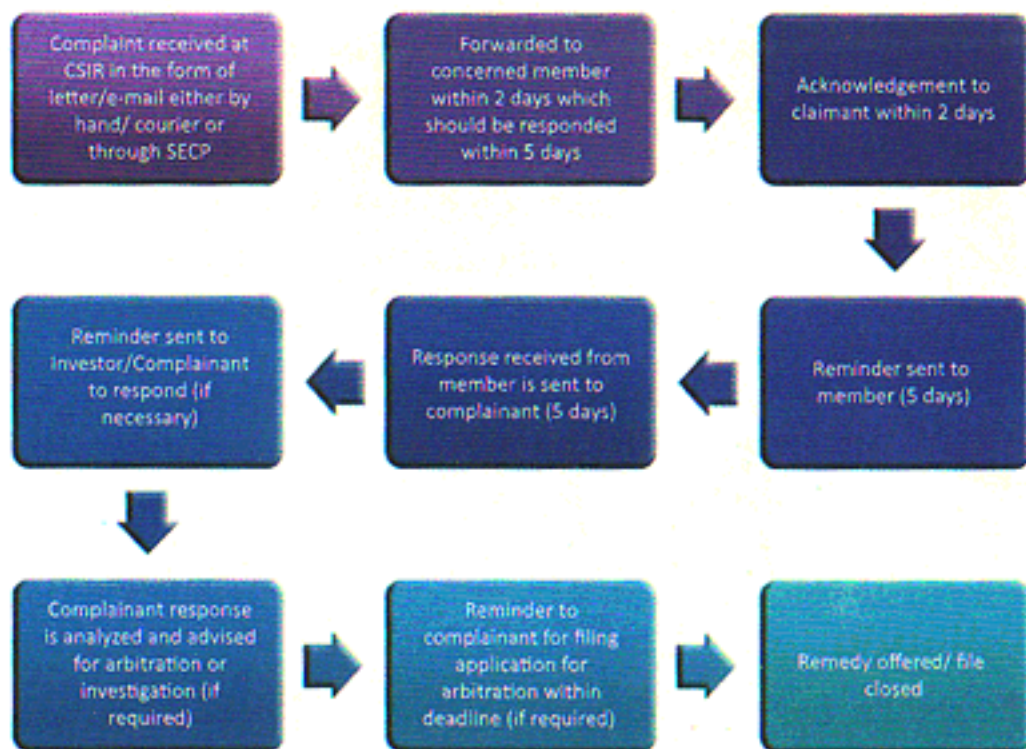
Arbitration is an alternative dispute resolution mechanism provided by Exchanges for those individuals that do not wish to go to Court. Through this method, disputes between the trading members and between trading members & their constituents (i.e. clients of trading members) may be addressed & resolved in respect of trades made on the Exchange. This process of resolving a dispute is comparatively faster than litigation.



The arbitrators are from within members and management of the Exchange and Non-member directors of the Exchange. For further details please refer to the General Rules & Regulations of the Exchanges.

The facility of arbitration on the Exchange can be availed by investors who have dealt on the Exchange through their members dealing in securities, investors who have dealt on the Exchange through registered agents of the member dealing in securities, and lastly by trading members who have a claim, dispute or difference with another trading member or a constituent.

### Process of Handling Complaints at the Exchanges



An application for arbitration has to be filed within three months from the date of the dispute. For further details please refer to the General Rules and Regulations of Exchanges.

### **1.4.3 Investor Complaints / Grievances addressing process at PMEX**

#### **Step-1**

The complainant shall bring his/her grievance/complaint in the knowledge of the concerned member / broker of PMEX and shall wait for their response, if any, for a maximum period of 7 days.

#### **Step-2**

If the member / broker is unable to resolve the issue satisfactorily within the stipulated time, the complainant may then lodge his complaint with PMEX along with documentary evidences.

#### **Step-3**

A complaint lodged with PMEX in the prescribed "Form" available on the PMEX website will be processed / evaluated as under the following:

- (a) The comments/feedback of concerned member/broker shall be sought in the first instance. The same shall be reviewed for deciding further course of action in the light of applicable statutory and regulatory provisions vide chapter 15 of the PMEX General Regulations that deal with Arbitration.
- (b) Exchange does appropriate counseling to the parties in dispute for the resolution of the complaint through mutual settlement process.
- (c) If the complaint remains unresolved, it is referred to Arbitration.

## Step4

Exchange will do arbitration under the arbitration Regulations.



#### 1.4.4 Procedure for Making Complaints against Insurance Companies

Before making a complaint, complainants are required to intimate in writing to the concerned insurance company their intention of filing a complaint. If the insurance company either fails to respond or makes a reply which is unsatisfactory to the complaint, within a period of one month, the complainant may file a complaint at any time after that within a further period of three months.

A complaint should be made on solemn affirmation or oath in writing addressed to the Insurance Ombudsman. The complaint shall set out the full particulars of the complaint matter and the name and address of the complainant.

Copy of the notice sent to the insurance company along with postal / courier receipt should also be attached with your complaint. In all cases, three (03) complete sets of the complaint are required to be filed with the Ombudsman.

The address and contact details are mentioned below:

Federal Insurance Ombudsman's Secretariat  
2nd Floor, Pakistan Red Crescent Society  
Annexe Building, Plot # 197/5  
Dr. Daud Pota Road,  
Karachi, Pakistan.  
Phone : +92 21 99207761-62  
Fax: +92 21 99207763



## Annexure: Contact Key Institutes

Organization	Detail
Securities and Exchange Commission Pakistan (SECP)	Securities and Exchange Commission of Pakistan, NIC Building, Jinnah Avenue, Blue Area Islamabad. Ph.: 051-9207091-94 <a href="http://www.secp.gov.pk">www.secp.gov.pk</a> Email: <a href="mailto:enquiries@secp.gov.pk">enquiries@secp.gov.pk</a> , <a href="mailto:investor.education@secp.gov.pk">investor.education@secp.gov.pk</a>
Karachi Stock Exchange (KSE)	Karachi Stock Exchange (Guarantee) Limited, Stock Exchange Building, Stock Exchange Road, Karachi-74000, Pakistan. Ph: (92-21) 32437703 <a href="http://www.kse.com.pk">www.kse.com.pk</a> Email: <a href="mailto:info@kse.com.pk">info@kse.com.pk</a>
Lahore Stock Exchange (LSE)	Lahore Stock Exchange Building, 19, Khayaban-e-Aiwan-e-Iqbal, P.O. Box: 1315, Lahore - 54000, Pakistan Ph: (92-42) 3636 8000 <a href="http://www.lse.com.pk">www.lse.com.pk</a> Email: <a href="mailto:info@lse.com.pk">info@lse.com.pk</a>
Islamabad Stock Exchange (ISE)	Islamabad Stock Exchange ISE Towers, 55-B, Jinnah Avenue, Islamabad, Pakistan Ph: (92-51) 111-473-473 <a href="http://www.ise.com.pk">www.ise.com.pk</a> Email: <a href="mailto:info@ise.com.pk">info@ise.com.pk</a>
National Clearing Company of Pakistan Limited (NCCPL)	National Clearing Company of Pakistan Limited 8th Floor, Karachi Stock Exchange Building, Stock Exchange Road, Karachi - 74000, Pakistan Tel: (92-21) 32460811-19 <a href="http://www.nccpl.com.pk">www.nccpl.com.pk</a> Email: <a href="mailto:info@nccpl.com.pk">info@nccpl.com.pk</a>
Pakistan Mercantile Exchange (PMEX)	Pakistan Mercantile Exchange 9th Floor, PRC Towers, 32-A, Lalazar Drive M.T.Khan Road, Karachi, Pakistan. UAN: +92-21-111-623-623, 99210650-61 Support: (021)35644991-5, 03008213324, 03218756623
Central Depository Company (CDC)	CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi - 74400. Tel: 0800-CDCPL (23275) <a href="mailto:info@cdcpak.com">info@cdcpak.com</a> Tel: (92-21) 111-111-500 <a href="http://www.cdcpakistan.com">www.cdcpakistan.com</a>
Mutual Fund Association of Pakistan (MUFAP)	Mutual Funds Association of Pakistan, 207-209, 2nd Floor, Kassam Court Block 5 Block - 5, Clifton. Karachi Pakistan Office: (92-21) 35293136-38 <a href="http://www.mufap.com.pk">www.mufap.com.pk</a> Email: <a href="mailto:info@mufap.com.pk">info@mufap.com.pk</a>
Institute of Capital Markets (ICM)	State Life Building No 2 Wallace Road, 5th Floor, Karachi, Pakistan Tel: 021 32072096 - 97. SMS or Call: 0332-3295790 <a href="http://www.icm.org.pk">www.icm.org.pk</a> Email: <a href="mailto:info@icm.org.pk">info@icm.org.pk</a>



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