



**ALPHA CAPITAL (PVT) LIMITED**  
**SUMMARISED INTERNAL CONTROL**  
**MANUAL FOR TRADING**

## Chapter 1

### INTRODUCTION

#### 1.1 Objective

This manual provides an in-depth and comprehensive guideline of the flow of the activities carried at ALPHA CAPITAL and outlines the policies and procedures adopted for smooth functioning of the entire product. Further, it provides a stepwise guideline to carry out the transactions from initiation to close out.

Furthermore, this manual sets out the limits on authority for staff members as well as identifies risks associated with transactions and prescribes the ways and means to mitigate the effects of such risks.

***Every staff member is required to strictly follow these procedures and any amendments / inclusions / deletions thereto / there from, as the case may be. These changes are, however, required to be finalized by a procedure-review process, which is required to be approved by (Chief Executive Officer-CEO), which may result from any regulatory, business or strategic change.***

#### 1.2 Scope

All the requirements and procedures of this manual have been defined in the context of the activities carried out by Alpha Capital, which currently include:

- Account Setup;
- Settlement & Operations
- Finance & Accounts
- Client Services
- Policy on Personal Trading
- Policy on Soft Dollars
- Policy on best Execution
- Policy to discourage deposits taking on fixed return basis

## Chapter 2

### ACCOUNT SETUP

#### 2.1 Purpose

***This department has been established to open, maintain, monitor, update and close all the accounts opened with the company in accordance with the applicable laws and regulations.***

## 2.2 Account Opening

For Alpha Capital (Pvt) Limited, the account can be;

- Trader's Reference
- Through Sales & Marketing Department / Walk-in Client

### 2.2.1 Trader's Reference

Likewise general practice / offline trading, the trader shall be the first person to check for the completeness of the Account Opening Form (AOF) and the required enclosures and verifications. The trader also fills-up the Know Your Customer (KYC) Form as per regulatory requirement. The form is then forwarded to Head of Compliance (HOC) who after checking for completeness of AOF and KYC form, forwards the set to Head of Operations (HOO) for approval for opening of account.

Once approved, the HOC registers the Unique Identification Number (UIN) through National Clearing & Settlement System (NCSS) or updates the UIN information in-case the UIN is already registered in the market. The HOC also registers a Sub-Account in Central Depository System (CDS). The account is then opened in Back-Office (Back-Connect) by Settlement Officer (SO), but the User ID and Password shall only be provided to the client after fulfillment of initial deposit requirement. The deposit shall can either be via Crossed Check or Shares (Transferred via CDS Only).

After ensuring that the initial deposit requirement is fulfilled, the Head of Custody issues a welcome letter to the client along-with the User ID and password in a sealed envelope or via system generated email.

### 2.2.2 Through Sales & Marketing Department / Walk-in Client

In-case the client comes through Sales & Marketing or contacts the company online whereby no face-to-face contact or no KYC measures are taking place, the client / potential client shall be asked to give at-least 2 references from the financial market, i.e. either brokerage industry, investment banking, money market or banking channel.

Once KYC is done, the Customer Service Department (CSD) for ALPHA CAPITAL shall receive the AOF and check for its completeness and enclosures and fills-up the KYC form.

All the steps as discussed in 2.2.1 are followed for the opening of account.

## 2.3 Account Information updation

***Account updation means any amendment/change made in the SAOF on request of the client. This usually includes change of address, change of contact number, Zakat status, authorized signatories or any other particulars etc.***

The client shall forward any required update to the CSD. The CSD shall verify the request by checking for sender's account number, title of account and signature with company's records. In-case of Email, the sender's address shall also be checked with company's records. In-case the client requests the change via telecom at-least 3 of the following details shall be verified;

- **Account Number**
- **Title of Account**
- **CNIC**
- **Status (Joint / Single)**
- **Bank which is in "Bank Verification" section of CDC Sub Account area of the AOF**

CSD shall then forward the verified request to HOC or email the request to HOC in-case CSD received the request via telecom providing the reference of telephone recording. The AOA after shall update the information in NCSS and Back-Connect.

The request shall be kept in record along-with respective AOF.

## 2.4 Account Closing

***Account closing is defined as the step to cease the dealings in a particular account of any client. This is initiated through a specific client's request by unilateral action of the brokerage house under proper legal coverage.***

The CSD receives duly signed account closing request from the account holder(s), matches the signature to ensure authenticity of the request and forwards the same to Operations Department. Operations Department checks for any available cash or custody balance, any un-settled transaction or any outstanding liability in the account. The Head of Operations signs the requests after getting verified from Operations Department and forwards to HOC for closure of account. Note: In-case of any dispute / arbitration, the company shall suspend the account for trading.

## Chapter 3

### SETTLEMENT & OPERATIONS

#### 3.1 Purpose

***This department is responsible for the efficient and effective day to day equity operations of the company. It performs all the critical activities in the back office. Its activities cover the following areas;***

- **Reconciliation of transactions**
- **Confirmations to clients;**
- **Settlement of transactions;**

- **Short sell;**
- **Exposure monitoring; and**
- **Custody of securities.**

### 3.2 Reconciliation of Transactions

The Operations Department shall verify the trades transmitted directly from ALPHA CAPITAL terminal to Back-Connect, with the Buy / Sell Summary obtained from NCSS.

### 3.3 Confirmations to clients

Operations Department generates the confirmations and send the same via email.

### 3.4 Settlement of Transactions

The basic settlement procedure is same as being practiced for Offline Accounts. However, in-order to manage the Pre-Trade Risk and avoid any outstanding liability in the account(s), some changes are being made, that include;

#### 3.4.1 Short Sell

To avoid any non-compliance related to short sale, the ALPHA CAPITAL system is modified in such a manner that it restricts the account holder from selling any security that is not held in the custody. The system also restricts any transaction of physical shares to avoid any disputes.

Head of equity sales will be empowered to monitor and allow short selling based on customer's portfolio size and risk category. In case a customer wishes to short sell through short sell window, trader will ensure that the customers is aware of risks involved, pros and cons of short selling in the market and has the financial capacity of holding such short sell position.

Short Sale under Ready Delivery Contract Market shall be executed through a special Short Sale order window designated in the Trading System for Short Sale in the manner and procedure as may be prescribed by the Exchange from time to time.

Short Sale will only be permissible on Uptick or Zero-Plus Tick. Short Sale shall also be allowed without Up-tick or Zero-Plus Tick up to the following extent:

- (a) UIN-WIDE POSITION: A UIN will be allowed to make short sale to the maximum extent of 2% of average daily turnover of the respective security of previous one month.
- (b) BROKER-WIDE POSITION: A Broker for its all UINs including its clients' positions will be allowed to make short sale to the maximum extent of 4% of average daily turnover of the respective security of previous one month.
- (c) MARKET-WIDE POSITION: All Brokers on cumulative basis will be allowed to make short sale to the maximum extent of 40% of average daily turnover of the respective security of previous one month.

The exemptions mentioned above shall not be available in the following cases:

- (a) when the price of a security declines up to 2.5% from the Closing Price of the previous trading day, the exemptions shall not be available for the remainder of the day;
- (b) when lower circuit breaker, becomes applicable on the Closing Price of a security, the exemptions shall not be available for the next two trading days;
- (c) when lower circuit breaker, becomes applicable on the Closing Price of a security consecutively for five trading days, the exemptions shall not be available for next fifteen trading days after the fifth trading day.

### **3.4.2 Cash Based Trading**

Another modification made in the system is to restrict the account holder from taking any position that exceeds that available cash / buying power.

### **3.4.3 Online Transfer of Funds**

ALPHA CAPITAL is working on mobile based Online Funds Transfer (OFT) facility.

### **3.4.4 Transfer of Shares**

The transfer of shares can be in two basic forms, Transfer of shares to ALPHA CAPITAL (Incoming of Shares) or from it (Outgoing of shares). However, the client shall be restricted from trading in Physical Shares to avoid any un-foreseen risk.

## **Chapter 4**

### **FINANCE & ACCOUNTS**

#### **4.1. Purpose**

*This department is responsible for the initiating and recording of payments and receipts to the clients, as well as, to ensure correctness of these transactions.*

#### **4.2. Payments**

Where a Client wants to withdraw an amount from his / her account, he / she shall forward a written request via Email, Fax or by Hand to CSD who shall verify the request and forward the same to Accounts Department. Accounts department shall check for any Capital Gain Tax available from NCCPL's report. In-case of shortfall of amount, the Accounts Department shall prepare the check of net available amount and shall communicate the change to CSD who shall inform the client accordingly.

All the requests that are received before 12 noon shall be deemed eligible for same day process and the check(s) of those requests shall be prepared after market close. Any request(s) received after 12 noon shall be processed on the next working day.

The payment shall be posted in the General Ledger on the day the cheque is signed and dispatched to the client. In case the cheque remains un-cleared for six months, the payment shall be reversed in the General Ledger.

#### 4.3. Receipts

All the cheques received from client shall be recorded and posted on the day the cheque is duly cleared in the Bank Account, on confirmation through receipt of relevant supports.

The relevant supports include; in case the client has deposited the cheque himself, the deposit slip and the copy of cheque deposited, and the online payment acknowledgement slip in case of online payment/ funds transfer.

## Chapter 5

### CUSTOMER SERVICES DEPARTMENT

#### 5.1 Purpose

*As the name suggests, this department is established as the first point of contact for ALPHA CAPITAL customers. The department shall be responsible for the following functions;*

- **Receive Calls from Potential Clients**
- **Backup for Placement of Orders for Existing Clients**
- **Resolve Complaints**
- **Satisfactory Survey**

#### 5.2 Receive Calls from Potential Clients

In-case anyone calls the company after going through the ALPHA CAPITAL advertisement, the CSD shall receive the call and explain about the ALPHA CAPITAL Products. In-case the representative is unable to provide required information to the potential client, he/she shall forward the query, via email, to the Head of Operations along-with the relevant details as recorded in ICIF; and shall ask for a maximum of 2 working days' time for the resolution of the query.

#### 5.3 Backup for Placement of Orders for Existing Clients

In-case the client is unable to place order directly through its own premises, he/she shall call the CSD who must verify at-least 3 of the following first;

- **Account Number**
- **Title of Account**
- **CNIC**
- **Status (Joint / Single)**
- **Bank which is in “Bank Verification” section of CDC Sub Account area of the AOF**

After proper verification, the required order shall be placed and an email of that placement shall be forwarded to the Head of Operations mentioning the details and reason under which circumstances the client called the CSD for placement.

**Note: The CSD shall also be placing orders in-case the Account / UIN is suspended and/or blocked internally or by regulators. In such case, only Sell orders / Off-loading of positions will be allowed.**

#### 5.4 Resolve Complaints

CSD receives all kind of complaint from the clients via fax, e-mail or courier and forwards the same to the Operations Department.

The Operations Department handles all grievances of clients regarding execution of their orders, payments, shares transfers, etc. and acknowledges all the complaint through a letter immediately after receiving them. Operations Department after consulting with the concerned department forwards the necessary documents and information to the client to satisfy his / her grievance.

The Operations Department ensures that all customer grievances are recorded and amicably resolved in due course of time.

#### 5.5 Satisfactory Survey

CSD conducts a client satisfaction survey to identify customers concerns. It contacts the clients randomly at the end of every month and inquires about their satisfaction for the services offered by the company. The Head of Operations prepares a report with graphical illustrations to show the result of survey and / or the status for top management.

## Chapter 6

### POLICIES ON PERSONAL TRADING

- 6.1 Employees desirous of trading must obtain prior written authorization for such activity from the authorized officer of the company on his trading account opening form.

- 6.2** Employee must submit, a written undertaking of his understanding and willingness to strictly abide by all the relevant rules, regulations, codes and procedures as prescribed by the Exchange, Clearing Company, Depository Company and the Commission at all times while trading on his own account.
- 6.3** All trades on behalf of the employees concerned shall be executed against their own respective UINs.
- 6.4** Employees must ensure that investment advice given to clients by them does not result in a conflict of interest with their individual trading activities.
- 6.5** The employees should not indulge in buying or selling securities of a company for their own account or any account over which they exercise control if they possess non-public information or inside information of that company or information pertaining to any potential trade/deal which may affect the share price of that company. Further, they will not pass any such information to others.
- 6.6** The employees should not buy or sell those securities for their own account in which they are aware of clients' proposed trades, trades by the Brokerage house or forthcoming research report regarding such securities.
- 6.7** Brokers shall monitor their employees' trades regularly and the Internal Audit Department will ensure compliance of these KSE Regulations and any violation shall be communicated to Audit Committee/Chief Executive Officer and shall be submitted to the Exchange and/or the Commission as and when demanded.
- 6.8** Adherence by Brokers as well as their employees, in letter and spirit, to this Code of Conduct is mandatory

## Chapter 7

### POLICIES ON SOFT DOLLARS

- 7.1** Soft dollars can be defined as "payment for brokerage firm services, other than trade executions, through commissions generated from investment trades". Although, there is no legislation on soft dollars in Pakistan, we do not participate in such arrangements. For every service provided by us, we charge commission/fee and do not give any rebate based on volume of transactions or any other variable.

## Chapter 8

### POLICY ON BEST EXECUTION

- 8.1** When executing orders ALPHA CAPITAL will take all reasonable steps to obtain the best possible result under the circumstances for the client taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order ("Best Execution"). When considering the best executing factors, ALPHA CAPITAL takes into account: the characteristics of the client order; the characteristics of the financial instruments; that are subject to that order (in particular in relation to OTC financial instruments); and the characteristics of the execution venues to which that order can be directed. When ALPHA CAPITAL executes orders on behalf of retail clients, Best Execution is determined on the basis of the total consideration paid by the client, unless the objective of execution of the order dictates otherwise. Whenever there is a specific instruction from or on behalf of a client, ALPHA CAPITAL will – to the extent possible - execute the order in accordance with the specific instruction. A specific instruction from a client may prevent ALPHA CAPITAL from taking the steps that it has described in this policy to obtain the best possible result for the execution of orders. Trading rules for specific markets may prevent ALPHA CAPITAL from following certain of the client's instructions. To the extent that a client instruction is not complete, ALPHA CAPITAL will determine any non-specified components of the execution in accordance with this policy.

## Chapter 9

### POLICY ON DISCOURAGING DEPOSITS

- 9.1** Dealers, traders, employees, agents and other staff members cannot take deposits on fixed / promised return basis. In case of any violation of this policy and misstatement from any dealer, trader, employee or any staff member with customer, strict action will be taken against such person which include immediate termination from services, penalties, etc.