

OPERATIONS - EQUITIES TRADING AND SETTLEMENT

POLICIES AND PROCEDURES



Order Execution

1. ORDER EXECUTION

1.1. Policy

Traders are obliged to take all reasonable steps to obtain best possible result for clients whenever execution is done.

1.2. Purpose

The purpose of this section is to provide guidance to traders regarding acceptance of client orders.

There are rules and procedures set by the ALPHA CAPITAL for order acceptance. Accepting orders from clients should be made through written or on recorded telephone lines. Order acceptance record should be properly maintained and there should be proper authorization from client.

1.3. General Points - Order Acceptance

Brokerage house is not allowed to enter into any buy/sell transaction without permission from client. Orders received from client should be in writing/via phone/fax/e-mail. Buy/sell order is to be entered into the system immediately upon receipt.

The trader shall be responsible to provide evidence via recorded phone calls, written orders, fax or e-mail that an order has been placed. The record must include the name of the client, the type of security, type of order, quantity price and date of order.

The trader should not accept purchase orders from clients with lack of creditworthiness or lack of probity, unless the head of Risk & Compliance Department approves.

Prior to acceptance of client order, the trader should ensure that the client is capable of meeting the financial obligations towards the transaction. Buying without the consent of the client is considered as buying on debt account. Similarly, trader must ensure that client owns the securities prior to entering a sell order.

Trader must not enter into or attempt to enter into manipulative trading practices or involve in improper selling practices. If there is any reason to doubt that a particular order is in violation of any rules and regulations of the market, or contrary to the integrity and fairness in dealing in securities or the transaction is suspicious, the broker representative should reject the order and shall inform the Head of Risk and Compliance and COO / CEO.

The trader should ensure that orders received and accepted are executed in the name of authorized clients only. Orders shall be carried out according to client instructions and utmost care shall be taken to ensure fairness in the treatment of all clients.

1.4. Receipt of Order from Client

Two types of orders may be placed by the clients:

a. Limit Order

In a limit order, the client specifies the price at which the order is to be executed.

b. Market Orders

It is also known as "at best order"; the order is executed at the prevailing market rate.

Procedure

- The placement of order(s) for sale and purchase of shares is affected by the client through written instructions/e-mail, by telephone or fax to the concerned dealer/trader.
- Upon receipt of an order, the trader determines, whether the order is covered by trading limits of client for such transactions.
- Where orders are received on telephone, all orders must be received through the ALPHA CAPITAL's designated lines, which are recorded.
- As soon as the trader receives an order from the client, he/she will enter the same in the daily order register along with the time of order received and the time of order executed.

Service of Order

All transactions are executed by the dealers/traders, where orders are covered by the margin/trading limit/credit, the trader should ensure sufficient margin, trading limit and credit worthiness prior to execution.

The trader is required to enter the following details into the KATS/STP based stock exchange trading terminal:

- Sale/Purchase (either the transaction is for purchases or sales),
- Symbol of Share,
- Quantity of shares,
- Purchase/Sales rate,
- Account code of client,
- Other details (i.e. Rate limit, Stop Loss, etc)

Upon entering of the transaction in the STP, the individual account of the client is updated along with the revised exposure limits.

After exhaustion of trading limit, no further order(s) will be accepted by the system, till client deliver(s) cash payment or additional Security. The trader verbally communicates the finalization of the deal to the client.

STP has the capability to report all un-matched deals on a real-time basis in order to discourage/restrict short selling, i.e. the system automatically detects and stops any sale orders by clients who do not hold the shares being sold in their respective sub-accounts.

The STP system also restricts purchases to eligible scrip only, i.e. shares categorized as illiquid would require higher exposure margins. This is in-line with the 'hair-cut' or discounting methodology by the exchange. However, if there is a sell order of an institutional client on a DVP basis and zero margin bases, the sell order of scrip will be directly executed through the Stock exchange terminal i.e. KATs.

In case of non-availability of the online STP, trades will be executed directly through the KATS linked to the Stock Exchange. This will result in trades being executed without the monitoring of real time client position and the trader will have to rely on manually updated client positions that are, however, supported by the StockXs software.

Access to stock exchange terminal should be restricted to KATS operator or Trade at the trade desk. Ideally the Head of Sale (Retail, LI and FII) should be the responsible person. Furthermore, it is recommended that in the long run, a backup real time system should be in place to effectively monitor client positions.

1.5. Lapse of Order

Where the order cannot be serviced on the date of its receipt by the division, due to unavailability of such shares for any other reasons, beyond the control of the division, then the order shall be considered lapse.

1.6. The Quality of Execution

When executing orders on behalf of client in relation to financial instruments, all reasonable steps should be taken to achieve what is called "best execution" of orders. This means that ALPHA CAPITAL will have in place a policy and procedures which are designed to obtain the best possible execution result, subject to and taking into account the nature of clients' orders, the priorities they place in filling those orders and the market in question and which provides, in ALPHA CAPITAL's view, the best balance across a range of sometimes conflicting factors.

Trader will take into consideration a range of different factors which include not just price, but which may also include such other factors as the need for timely execution, the liquidity of the market (which may make it difficult to even execute an order), the size of the order and the nature of the financial transaction.

Trader will also consider the clients order's understanding along with clients' dealing profile. The nature of the dealing service the client requires from us and the specific and general instructions received from the client are also taken in account while filling the orders.

In the absence of explicit instructions from client, ALPHA CAPITAL will exercise its own discretion in determining the factors that trader needs to take into account for the purpose of providing "best execution".

ALPHA CAPITAL's commitment to provide "best execution" does not mean that ALPHA CAPITAL owe fiduciary responsibilities over and above the specific regulatory obligations placed upon ALPHA CAPITAL.

The trader/ALPHA CAPITAL must achieve best execution while placing orders. Following must be considered in achieving best execution:

- a. The quoted price of investment,
- b. Client's instructions,
- c. Markups, mark-downs, commissions, fees and charges payable to client,
- d. Regulatory Compliances.

1.7. Specific Instructions

Trader will always endeavor to comply with any specific instructions from clients on how to execute an order. However, if ALPHA CAPITAL does not have access to a specific execution venue or is unable to carry out order for any other reason; ALPHA CAPITAL reserves the right to refuse the order.

Please note, any instructions from client on how trader should execute an order may prevent us from taking the steps, ALPHA CAPITAL have designed and implemented order execution policy to obtain the best possible result for the execution of orders, in respect of the elements covered by clients' instructions.

1.8. Execution Factors

Key "execution factors" which are required to be considered when executing an order are as follows:

- the price,
- the costs related to execution,
- counterparty risk,
- the speed of settlement,
- the likelihood of execution and settlement,
- the size of the order,
- the nature of the order,
- regulatory compliances, and
- any other considerations relevant to the execution of an order.

1.9. Execution Venues

ALPHA CAPITAL's current focus is on orders relating to equities and execution venue is Pakistan Stock Exchange. ALPHA CAPITAL is a corporate member of the Pakistan Stock Exchange.

1.10. Order Compliance

ALPHA CAPITAL shall be fully compliant with relevant provisions of SECP Ordinance, 1969, SECP Act, 1997, Directives to Broker's Conduct of Business 2003 and Securities Brokers (Licensing and Operations) Regulations, 2016.

ALPHA CAPITAL shall not trade on its own behalf in preference to client by trading ahead of a limit order. All orders shall be treated as non-preferred and will be processed as per receipt sequence.

All orders shall be processed by entering client UIN. The automated system shall reject processing if found any invalid UIN. All orders shall be time stamped by the system and terminal identified.

1.11. Order of High in Monetary Value/Aspect

Where head of sales (Retail, LI, and FII) /trader receives any order which carries high monetary value / aspect, that should be brought into the knowledge of COO/CEO. CEO/COO will call a meeting and discuss all regulatory, financial and settlement phase with relevant HOD(s) before allowing execution.

1.12. Wrong Executions

The purpose of this section is to provide guidance to traders regarding trades that were incorrectly executed.

Clients' orders received may be cancelled or modified provided that the same has not been executed in full by trader. Trader should execute order transactions with due care based on clients' instructions. Any errors committed in the execution of orders should be documented and rectified if possible, to minimize the losses incurred from such erroneous deals. Common types of wrong deals are as follows:

Wrong Customer

- Trader has erroneously executed a deal for an incorrect customer.

Wrong Rate

- Trader has erroneously executed a deal at an incorrect rate.

Wrong Quantity

- Trader has erroneously executed a deal with incorrect quantities.

Duplication

- Trader has erroneously executed a deal twice.

Misinterpretation between Units and Amount

- Trader has wrongly interpreted the amount figure as the unit figure or vice versa,

Misinterpretation between Buy and Sell Instructions

- Trader has wrongly interpreted the buy instruction as a sell instruction or vice versa.

Trader shall notify along with the reasons to Settlement Department and Risk & Compliance Department of any change in UIN. All such changes shall be recorded and archived by trader KATS operator. In case of change, trader shall send a CAR (Corrective Action Report) after trade rectification.

Where error committed due to trader misunderstanding or wrong execution, the trade discrepancy report (TDR) shall be prepared by relevant trader and signed by CEO/COO/HOD.

1.13. Trade Acknowledgement

All clients are required to acknowledge trades executed on their behalf. It must be understood and underlined that requirement serves as primary evidence and proof of trade executed on behalf of the clients. The trader calls through recorded telephones to the client and ensures that the client has confirmed the details of order after its execution.

It is difficult to get trade acknowledgement from client in writing, therefore Settlement Department dispatch trade confirmations through courier and delivery status is verified through the courier services provider's web site.

Settlement

2. SETTLEMENT

2.1. Data Update in StockXs

Policy

For smooth operations and easy access to client information & trading history, ALPHA CAPITAL updates the data into StockXs ("BC").

Procedure

Once orders of clients have been executed by the sales department either on KATS or through STP, there is a trade log generated simultaneously which is updated in the KATS system by settlement department into Back Connect made after the market has suspended for the next trading day.

Responsibility

Action

KATS Operator

1. KATS Operator extracts all executed orders of the trading day and copies into the password protected USB. After copying, the USB is provided to the settlement department.

Head of Settlement

2. Head of Settlement updates the data in "StockXs".

The file received from KATS operator is imported in StockXs where all the data are extracted. Once the import is completed, the data are downloaded in StockXs containing all trading details for the day for each client.

Procedure to update data in StockXs:

All KATS trades are uploaded from a file into the StockXs. All types of KATS Trades, i.e., KATS Normal Trades (Regular, Future, NCM, ODL), KATS COT Trades and KATS Release COT Trades can be imported through a screen by selecting the respective type. The KATS Equity Trades are imported to BC by following these steps:

Select a text file, containing the records of trades in the standard format, the user presses the "Execute" button for starting the import process.

Where trade date is not entered manually StockXs will get the server date as trade date.

BC will Pick one record at a time from the file, parse it and get values in the fields of Order Number, Buy/Sell Status, the Symbol, Volume, Rate, Trade Date, Ticket Number, Client Code, Buyer Member Code, Seller Member Code and Trade Type.

After inserting all the trades in the System from a text file, the user is notified through an alert box indicating how many trades are valid, invalid and ignored. It is recommended to view the list of invalid trades by selecting the Transactions/Equity/View invalid trade menu option to view all the trades that cannot be imported into the system. Look for the remarks attached with each trade, fix the problem and then re-execute the trade import procedure, if required.

2.2. Trade Rectification

Policy

By trade rectification, ALPHA CAPITAL ensures that the chances of human errors during trading will be eliminated or minimized.

Procedure

In case of any human error in entering a trade in KATS which requires rectification, the trader directly intimates via e-mail on Corrective Action Report (CAR) Form along with trade rectification report as given by stock exchange to the Settlement Department. The Head of Settlement will update the rectified trade in StockXs after approval of CEO/COO/Head of Operations.

The Pakistan Stock Exchange provides the facility of trade rectification. The rectification session remains operative after one hour of the market closure. The trader rectifies error trades directly through the New Clearing House System (NCHS) Trade Rectification Interface within that hour which is automatically updated on the Stock Exchange system for clearing and settlement.

The trade rectification process is as under:

Responsibility	Action
Sales Department/Trader	<p>1. The Trader is responsible for correction of any erroneously executed transaction for his clients. Trader will rectify the transaction within the time stipulated by the exchange for rectification through NCHS.</p> <p>After execution of the trader rectification, trader will e-mail the Corrective Action Report along with trade rectification report to the Head of Settlement.</p>
Head of Settlement	<p>2. Head of settlement will correct the trade in StockXs.</p>

2.3. Negotiated Deal Market Transaction

Policy

ALPHA CAPITAL provides the facility for its clients to execute off-market transactions through Negotiated Deal Market mechanism.

Procedure

Deals that are negotiated between two parties outside the regular stock exchanges are negotiated deals. These trades shall not be executed in the open market but within the hours of operation of exchange or until a time set by the exchange. Price protection procedures shall not apply to negotiated deals. Negotiated Deal shall have no minimum volume requirements.

Responsibility	Action
Trader	1. The Negotiated Deal Market Transaction (NDM) executed by trader backing up with underlined statement. The trader will forward the executed transactions details with underline statement for the settlement.
Head of Settlement	2. Head of Settlement updates the transaction manually in StockXs.

2.4. Client Trade Confirmation

Policy

Whenever an order of any client is executed, confirmation of such execution shall be transmitted to the said client by the Broker within 24 hours of the execution of such transaction. Confirmation shall be made on an agreed mode of communication as specified in the Account Opening Form.

Procedure

The head of settlement is responsible to communicate the confirmations as per policy. ALPHA CAPITAL Trade Confirmation includes the following specific information:

- Date on which order is executed;
- Name and number of securities;
- Nature of transaction (SPOT, Ready, Future and also whether bought or sold);
- Price; and
- Commission/brokerage rate.

Responsibility**Action****Head of Settlement**

1. After the entire trade process has been completed, the head of settlement verifies the commission to see if it is appropriately calculated.
2. Once trade confirmation process is run, all edit options get locked.
3. After the verification, head of settlement generates client confirmations.
4. Trade Confirmations are emailed as well as dispatched through courier and by hand to the clients.
5. Trade confirmations sent via courier require no acknowledgement as delivery reports can be accessed online through courier service websites.

Confirmation Reports

The Email Confirmation Report is a confirmation memo for sending the confirmation of trades to clients. User can print more than one confirmation by selecting trade date, branch, market type, clearing type, client, security, and format specification.

The report consists of information about the trades i.e. number of shares, securities, rate, brokerage/share, net rate and net amount. User can print more than one confirmation by selecting the trade date, branch, market type, clearing tip, buy/sell, client, security, back dates/no back date, and format specification.

2.5. Bill Generation**Policy**

Whenever an order of any client is executed, bill of such execution shall be generated, and the bills are only communicated to institutional clients within 24 hours of the execution of such transaction. Confirmation shall be made on an agreed mode of communication as specified in the Account Opening Form.

Procedure

The head of settlement is responsible to communicate the bill as per policy.

Responsibility**Action****Head of Settlement**

1. After the completion of trade confirmation process, Head of Settlement initiates the billing process for all clients.

2. Once the billing process is completed, Head of Settlement dispatches bills by hand (through riders) to the corporate clients. For foreign clients and clients having offices located outside Pakistan, bills are dispatched through courier.

2.6. NCSS Trades Reconciliation

Policy

The policy is to ensure the transactions are properly executed during the day, properly recorded in StockXs and client balances and positions are matched with NCSS record.

Purpose

The purpose of this section is to provide guidance to Settlement Department for regular activities generally conducted at the end of each trading day to ensure that transactions executed during the trading day are properly captured, summarized, settled, accounted and reported.

Certain procedures and controls are necessary to be carried out at the end of trading day by the Head of settlement / Head of Custody / Head of Operations / Settlement officer / Custody Officer / Operations Officer with respect to NCCPL, CDD & Custodian. Such activities and related controls include review of trading transactions, reconciliations etc.

Responsibility

Action

Custody Officer CDC/NCCPL

1. Reconciliation of trades with NCSS after finalizing all trade execution, Settlement Officer and Custody Officer NCSS & CDC matches all the trades with the buy/sell statements extracted from National Clearing & Settlement System (NCSS). Custody Officer NCSS & CDC matches every trade with its Buy/Sell quantities and amount of scrip traded.
2. Clearing Reconciliation (Time: 4:30 pm after finalization of trade execution).
3. Settlement Officer NCCPL & CDC reconciles house position at the day end to confirm stocks that are to be delivered and to be received from the exchange. This reconciliation is done with NCSS report called "Purchase & Sale Summary Report" matched with StockXs's report called "Clearing Client Delivery (Company Wise) Report. Officer matches the following positions of scrip traded:

- Net Delivery Position of each scrip of House (to be delivered/received to/from market),
- Net Amount of Buy/Sell of each Scrip,
- Net Delivery Position of each client (to be delivered/received to/from).

2.7. Settlement with Clients

ALPHA CAPITAL settles the trade with its client according to the following category:

1. Local Institutional Client (IDS)
2. Local Institutional Client (NON-IDS "DVP")
3. Foreign Institutional Client
4. Retail Clients

Local Institutional Clients (IDS)

This section prescribes how ALPHA CAPITAL settles the trade (purchase and sales) with its IDS clients.

Responsibility	Action
Head of Settlement CDC/NCCPL	1. Initiated transaction affirmed by the Local Institutional client (NBCM). On affirmation, the settlement obligation of broker has been transferred to (NBCM) client.
Settlement Officer	2. Will send a monthly bill of brokerage commission to its client.

Local Institutional Client (Non-IDS DVP)

This section prescribes how ALPHA CAPITAL settles the trade with Non-IDS DVP clients.

Purchase Transaction

Settlement Officer/Custody Officer	1. On Settlement date, as shares received from market, Custody Officer transfers shares to the client and client make the payment on Delivery Versus Payment Basis.
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Sales Transaction

Settlement Officer	1. One day prior to the settlement, Settlement Officer provides the copy of sales transaction bill to the Accounts Department for the payment. Accounts Department made payment accordingly by cheque, pay-order or through RTGS.
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- Custody Officer CDC/NCCPL** 2. As the client received payment, provide shares from its respective CDC Sub-account maintain with ALPHA CAPITAL. As soon as the shares received, the CDC's straight through processing withdraw the shares from its CDC Sub-account automatically.

Foreign Institutional Clients

- Head of Operations** 1. E-mail the confirmation to the foreign institutional client after the trading hours. Prior to the settlement date, foreign institutional client back office matches the transaction details with trade confirmations and sends a pre-match to the custodian.

- Operations Officer** 2. Custodian forwards the pre-match to ALPHA CAPITAL, in case of any discrepancy, Operations Officer resolved it.

- Head of Custody/Custody Officer** 3. Initiates transaction, if affirmed by the foreign institutional client's custodian, settlement obligation of broker is transferred to a custodian.

- Head of Operations** 4. If the transaction settles at IDSC, Head of Operations/operations Officer generates the bill for the settlement of Brokerage, CVT and FED. Where transaction is not affirmed at IDSC, the transaction is settled by the broker with custodian directly.

Purchase transaction

- Head of Custody** 1. Where transaction is not affirmed at IDSC, Head of Custody posts the shares to respective investor account to receive the payment.

- Head of Operations/ OPS Officer** 2. Where transaction settles at IDSC, Head of Operations/Operations Officer generates the bill for settlement of Brokerage, CVT and FED. Where transaction is not affirmed at IDSC, the transaction is settled by the broker with custodian directly.

Sales Transaction

- Operations Officer** 1. One day prior to the settlement, Operations Officer provides the copy of sales transaction bill to Accounts Department for payment which will be made accordingly by RTGS.

- Custody Officer** 2. As the custodian received the payment, it provides the shares to its respective CDC Sub-account maintained with ALPHA CAPITAL. As soon as the shares are

received, the CDC's straight through processing withdraws the shares from its CDC Sub-account to automatically.

Retail Client

Purchase Transaction

Head of Settlement

1. Head of Operations reviews the daily debit balance aging generated by Risk & Compliance Department. Emails sent and calls made one day prior to the settlement to traders or clients for the recovery of payment for the purchase.

Sales Transaction

Head of Custody/Custody Officer

1. On the settlement date, the Custody Officer will make sure that shares are available in client account for the settlement. In case of any short fall, the Custody Officer/Head of Custody NCSS & CDC will inform the trader on trade date to complete the delivery.

Finance Officer

2. As the delivery completed, the credit balance will be available in client account. Where client is willing to withdraw from credit balance, client made the request to the Trader/Dealer. Trader forward request to Finance Department for preparation of payment, Finance Officer prepare the Payment voucher and it is checked by Manager Finance, Head of Operations, Head o Compliance, CFO and finally approved by CEO/COO.

Procedures for Settlement with NCSS

ALPHA CAPITAL entered into an agreement with NCCPL to settle its trades through NCSS, which abides ALPHA CAPITAL to follow rules and regulations as imposed by NCCPL from time to time.

For the purpose of facilitation of settlement and payments, a tri-partite agreement executed between ALPHA CAPITAL, NCCPL and settling bank.

ALPHA CAPITAL receives the settlement statement from NCSS on a daily basis, which shall reflect, debits and credits that are entered into ALPHA CAPITAL's (as Clearing Member) Money Account in accordance with the procedures agreed in tripartite agreement.

How the Transactions Settled With NCCPL

All valid exchange trades and exchange transactions between brokers or CMs transmitted to NCSS through Stock Exchanges Trading Systems;

Net balances receivable and payables balances directly settled through settling bank netting mechanism applicable as prescribed in NCCPL Regulations.

2.8. CDC Reconciliation

Policy

The Company is required to provide a reconciliation report fortnightly to the Stock Exchange under notice no. KSE/N-3936 dated August 07, 2015 regarding reconciliation of shares available as per CDC records and as per the internal records of the Company.

Procedure

Following key steps shall be taken to complete the reconciliation process:

- Operations officer will extract data from the backoffice system including CDC pledge;
- Head of Custody will send CDC segregation data generated from CDC designated system to the operations officer;
- Operations officer shall prepare a reconciliation sheet as per the format given below and shall match both data sets;
- Reconciliation entries for physical shares, frozen shares, square up etc. shall be made to balance the data sets;
- Operations officer shall forward the reconciled data to the Head of Operations for his review and approval; and
- Reconciliation report shall be submitted to stock exchange within 15 days of each fortnight.

Format of CDC Reconciliation Report

As per Back Office Record	Own Account	Client Account	As per CDC Record	Own Account	Client Account
Securities Available			Securities Available		
			Securities Pledged with KSE / NCCPL		
			Securities Pledged with Banks		
			Pre-Settlement Delivery		
			Reconciling Entries:		
			a) Add - MT - Financier Shares in CDC MT-System		
			b) Add - MF Shares in CDC MF System		
			c) Physical shares		
			d) Freeze PSX Shares		
			e) Freeze ITTEFAQ Shares		
			f) SNDB Shares 'Unlisted Shares'		
			g) Physical Shares rec'd		
			h) MT Share move to Financee a/c for entitlement		
			i) Square up		
			j) Short receive from NCCPL against Reg Trade		
			k) wrong entry for PNSC in BO system		
			l) Any other recon entry		
Total	-	-		-	-
Difference B/w our and CDC - Own	-				
Difference B/w our and CDC - Client	-				
As per Sheet		-			
As per BO Record		-			
Diff:		-			

2.9. Record Maintenance

Policy

Company's policy is to maintain the record safe and secure and therefore all records are bind in book format at the year end to send at more safety and security.

Procedure

All HODs are responsible to make sure that the record has been transferred to data warehouse on timely manner, proper list of the record transferred to data warehouse have been maintained.

Responsibility

Action

Assistant Manager Settlement

1. All Departments keeps the record for the period of six months at head office for trade confirmations, GL, CDC positions to communicate clients along with courier slips, cheques received and delivered from clients. Previous record is send back to data warehouse known as "Data Recall". All account opening forms since the company established is kept at Head Office.