

# RISKS & REWARDS OF SECURITIES TRADING & ONLINE TRADING

## RISK AND REWARD OF INVESTMENT IN SHARES

Studies have shown that in the long run investment in shares has provided greater returns than most other forms of savings. Buying shares can offer advantages over saving in deposit accounts. The investment may increase in value besides getting dividends. An investor shares the rewards when the company does well and the price of the shares goes up. But if the company performs badly, the shares price may go down and the value of the investment will be reduced. Other factors, such as the performance of the stock markets as a whole and the general economic climate, may also affect the price of the shares.

Investment in shares is therefore investment in “**Risk Capital**”. The shareholders can be rewarded for taking the risk and the potential return on their money can be higher than that on other investments. An investor can reduce risk with careful planning.

## STOCK RETURNS

An investor can earn two types of returns on investment in shares; one is termed as capital gain that is result of price appreciation; the other is holding period gain (i.e regular stream of income through dividends, bonus and right issues).

### 1. Dividend

Dividends are returns paid to shareholders out of profits of the Company. Returns can be in the form of cash or additional shares of the Company called bonus shares. Dividends are usually paid once or twice a year depending upon the Company’s profit distribution policy.

### 2. Capital Gain/Growth

Capital gain is the amount with which the value of the investment in shares exceeds the price at which it was purchased. In other words it is the profit realized from the sale of shares when the market value is increasing.

## BENEFITS OF Trading Terminal AFS

**Alfalah Securities (Pvt) Ltd** facilitates its clients with easy, accessible and real time equity trading option via Internet through Server Based System. All clients have equal right of using our on-line system. Through our on-line trading system via internet one is able to at his home, office or anywhere in the world.

Benefits of Trading Terminal AFS include;

- Wherever, whenever, at your convenience
- Live market rates on the internet
- Universal access to stock trading accounts via the Internet
- Customer Support and Call Center for place orders & queries
- Easy to download our on-line trading terminal
- Low Latency (Almost Zero Latency) in Quotes Display
- Comprehensive Market Watches: 100 Index Watch, 30 Index Watch, Sector Watch and Custom Market watch
- Live Tickers : Upper Cap, Lower Cap, Active Scripts, Top Ten and Custom Tickers
- Scalable Solution to meet demanding loads
- Easy Funds Transfer Facility

## RISKS OF ONLINE TRADING & its MITIGATION

### Risks of Online Trading:

We would like to inform you of the potential and inherent risks of trading online such as;

- The misuse of the Account Holder(s)' Password/PIN,
- Hacking of line,
- Outages and slowdowns in the internet connection,
- Breakdown of broker system and or other third-party service breakdown and system errors
- Piracy of the Account Holder(s) information and affairs by unscrupulous persons, etc.

### Mitigation of Risks Associated with Online Trading:

In order to be able to mitigate the risks associated with **Online Trading**, you are encouraged to download **TRADING TERMINAL AFS USER MANUAL** or contact our **Online Trading Support Department** at:

**Alfalah Securities (Pvt) Ltd.**

**Trading Terminal AFS** (Online Trading)

Customer Support Department

Address: 8<sup>th</sup> floor, Bahria Complex III, M.T. Khan Road, Karachi - 74000.

UAN: +92 21 111 237 111

Email: [info@alfalahsec.com](mailto:info@alfalahsec.com)

### Placing the Order:

After opening the Account, the investor can place the order. The order can be placed to the broker through Internet (via e-Falah Trade, Mobile Apps or Call Centre (9221)111-237-111) are received at our server and immediately sent to the Pakistan Stock Exchange through electronically system for further necessary action.

### Executing the Order:

Investor must place the order very clearly specifying the range of price at which securities can be bought or sold. e.g. "Buy 100 equity shares of OGDC for not more than Rs 500 per share."

Market Price Range	Marketable Lots
Upto Rs.	500 shares
Above Rs. 100 and upto to Rs. 500	100 shares
Above Rs. 500 and upto to Rs. 1000	50 shares
Above Rs. 1000	20 shares

If accepted, the order is queued for execution and upon successfully matching the rates of corresponding buyer/seller (as the case may be), it gets executed. Although transaction is done on real time basis but the delivery of the securities is received in your CDC Sub Account on the 2nd working day after the transaction has been executed (in case of buying) and vice versa in selling.

### Settlement:

This means actual transfer of securities. This is the last stage in the trading of securities done by the broker on behalf of their clients. Settlement follows. T + 2 rolling settlement. This means any trade taking place on Monday gets settled by Wednesday.

## **ALTERNATIVE MEANS TO PLACE/CANCEL PENDING ORDERS DURING A SYSTEM FAILURE**

In order to place orders and or to cancel pending orders during a system failure, you are requested to please contact our **Online Trading Customer Support Department**;

UAN: +92 21 111 237 111

Or

Email: [info@alfalahsec.com](mailto:info@alfalahsec.com)

An efficient customer support department is at your service to tend to any of your queries.