

TAXES AND LEGAL ASPECTS

INCOME TAX

When you receive your dividend cheque, income tax has already been deducted by the company at basic rate. Basic-rate taxpayers have nothing more to pay.

Higher-rate taxpayers have to pay the difference between basic and higher rate at the end of the tax year.

Non-taxpayers can reclaim the tax deducted through their local tax office.

CAPITAL GAIN TAX

You make a capital gain when you sell shares at a higher price than you are paid. If you sell at a lower price, you make a loss.

Tax is a very complex subject - you should always speak to a properly qualified tax adviser to make sure you have a complete picture of the tax rules.

WHO IS INELIGIBLE TO OPEN A TRADING ACCOUNT?

Upon discovering that an investor fits any of the descriptions below, the stockbroker should refuse to accept his or her application to open an account, or refuse to take orders from such customer to buy, sell or subscribe securities:

- Minors who do not have the authorization of their legal guardian
- Personnel or employees of the authorities in charge of securities matters and regulators
- Person is declared bankrupt and rights have not been reinstated
- A person's opening an account that cannot supply proof of his identity
- Securities dealer who have not been approved by the competent authority.

DISPUTE RESOLUTIONS:

HOW DOES THE CLIENT KNOW IF HE/SHE HAS A CASE AGAINST STOCK EXCHANGE MEMBER?

Just because the client has lost money while dealing in securities doesn't mean that he/she has a case against the member. The financial markets have always gone through periodic down turns and upturns and these fluctuations are not always the fault of member. However, it is the responsibility of a 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
- Non-Delivery of securities.

WHAT ARE THE DIFFERENT WAYS TO HANDLE A PROBLEM WITH STOCK EXCHANGE MEMBER?

1. AMICABLE SETTLEMENT:

Although the client has the recourse to approach the relevant stock exchange, SECP or the Courts for lodging complaint, it is strongly advised that the complaint/problem should first be taken up directly with the member. This will not only save the time consumed in correspondence and procedures but will also preserve the trust and confidence.

2. ARBITRATION COMMITTEES OF STOCK EXCHANGES:

The client also has the alternative of taking up his/her complaint with the management of the concerned stock exchange. All the stock exchanges have their own Arbitration Committees that look into the grievances/disputes between the Investor and the Members.

3. SECP:

The client can also lodge his/her complaint with the Vigilance Cell which has been setup at SECP to ensure that grievances/complaints of the general public are heard and redressed, in a quick and efficient manner. All the complaints received by the Vigilance Cell against Stock Exchange members are forwarded to the Investor Complaint Wing ("ICW") of the Securities Market Division ("SMD") for further processing. However, SECP is not empowered to force the member for compensation/damages.

4. CIVIL COURTS:

The client can also file his/her complaint with the Civil Courts.

WHAT ARE DIFFERENT FORUMS AVAILABLE FOR PURSUING A CLAIM AGAINST STOCK EXCHANGE?

There are three forums available for pursuing claims against Stock Exchange members:

1. ARBITRATION COMMITTEES OF STOCK EXCHANGES:

The Stock Exchanges are Self-Regulatory Organizations (SROs) empowered to take cognizance of complaints against the members under the approved Rules and Regulations. All the Stock Exchanges have their own Arbitration Committees that look into the grievances/disputes between investor and members. Arbitration Committees after perusing the documents and

providing the parties an opportunity of being heard pass an Arbitration Award in accordance with the relevant Rules and Regulations of the Exchange.

2. SECP:

The SECP has established a Vigilance Cell which is responsible for ensuring that grievances/complaints of the general public are heard and redressed, in a quick and efficient manner. The client can file his/her complaint with the Vigilance Cell against Stock Exchange members on the prescribed Complaint Registration Form (“CRF”) which is available, free of cost in the offices of Stock Exchanges and the Commission including the Company Registration offices (“CROs”). CRF may be downloaded from the official website of SECP: <http://www.secp.gov.pk/ComplaintForm1.htm>. The ICW after perusing the documents and giving the parties an opportunity of being heard passes an Order according to the relevant Rules and Regulations. Any party dissatisfied with the Order can file an appeal before the Appellate Bench of the Commission within thirty days from the date of issue of such Order under Section 33 of the SECP Act, 1997.

3. CIVIL COURTS:

The client can also file his/her complaint with the Civil or Criminal Court. However this forum is more appropriate for claiming compensation or damages.

WHAT IS ARBITRATION?

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

WHO ARE THE PERSONS WHO CAN ACT AS ARBITRATORS?

The Arbitrators are members and management of the Exchange and non-member directors of the Exchange. For further details please refer to Regulation 29 of the General Rules & Regulations of Karachi Stock Exchange (Guarantee) Limited

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