

FAQs for Lodging Complaints against Stock Exchange Members with the Securities and Exchange Commission of Pakistan (“SECP”)

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1. Why file a complaint with SECP?

The receipt of complaints enables SECP to identify trading violations, which could impact the investor confidence or affect fairness in the stock market. Using complaint information the SECP can identify the weak areas in relevant regulations or in their compliance and make necessary arrangements for fixing the same.

2. 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

3. What are the different ways to handle a problem with Stock Exchange Member?

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.

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.

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.

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

4. What are different forums available for pursuing a claim against Stock Exchange Members?

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

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.

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.

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.

5. 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 & their constituents (i.e. clients of trading members), may be addressed & resolved in respect of trades done on the Exchange. This process of resolving a dispute is comparatively faster than litigation.

6. 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](#)

[For further details please refer to Regulation 5.01 of the General Rules & Regulations of Lahore Stock Exchange \(Guarantee\) Limited](#)

[For further details please refer to Regulation 29 of the General Rules & Regulations of Islamabad Stock Exchange \(Guarantee\) Limited](#)

7. Who can avail the facility of Arbitration on the Exchange?

The facility of arbitration on the Exchange can be availed by:

- a. Investors who have dealt on the Exchange through their Members dealing in Securities.
- b. Investors who have dealt on the Exchange through registered agents of the Member dealing in securities.
- c. Trading Members who have a claim, dispute or difference with another trading Member or a constituent.

8. What is the period for filing an application for Arbitration in the event of there being a claim, difference or dispute?

An application for arbitration has to be filed within 3 months from the date the dispute arises.

[For further details please refer to Regulation 34 of the General Rules & Regulations of Karachi Stock Exchange \(Guarantee\) Limited](#)

[For further details please refer to Regulation 5.06 of the General Rules & Regulations of Lahore Stock Exchange\(Guarantee\) Limited](#)

[For further details please refer to Regulation 34 of the General Rules & Regulations of Islamabad Stock Exchange \(Guarantee\) Limited](#)

9. What is the process for filing an application for Arbitration with Exchanges?

The clients may file their complaints against the Stock Exchange Members with the concerned Exchange. All the complaints, which are not resolved amicably **between the parties**, may be referred to the Arbitration Committee upon the request of either party. The procedure for arbitration is as follows:

1. The client can file an application for Arbitration with the concerned Stock Exchange.
2. Copies of the following documents may be submitted along with the application to support the claim:
 - a) Copy of NIC (in case of companies NIC of the authorized representative)
 - b) Account opening form of the complainant
 - c) CDC sub-account opening form/Individual investor account
 - d) Relevant Share Deposit receipts.
 - e) Relevant Trade confirmations slips/sale-purchase bills
 - f) Relevant cash receipts and payments made
 - g) Relevant CDC reports and statements
 - h) Any other document signed by the complainant or Member during the course of business.
 - i) An undertaking to abide by the rules and regulations of the Exchange.

3. The Exchange then appoints the arbitrator(s). The claims/disputes up to 0.5 million are referred for arbitration to the Managing Director of the Exchange who will either himself enter upon the reference or appoint a nominee for this purpose and the claims/disputes above 0.5 million are referred to the Advisory & Arbitration Committee for their resolution/decision.
4. The Arbitrator conveys **the** date of hearing to the parties and grants hearing in this respect to provide the parties an opportunity of presenting their case. **After hearing both sides the Arbitrator passes an Award** accordingly.
5. According to KSE General Rules and Regulations any party to a dispute dissatisfied with any award of the Managing Director/his appointed nominee may **file an** appeal to the Advisory and Arbitration Committee against such award within seven days of receipt of such award and any party to dispute dissatisfied with the award of the Panel of Arbitrators may appeal to the Board against such award within seven days of the receipt of such award.

According to LSE General Rules and Regulations if any party to a dispute is dissatisfied with any award of the Managing Director/his appointed nominee or with the award of the Panel of Arbitrators may appeal to the Board against such award within seven days of the receipt of such award.

According to ISE General Rules and Regulations any party to a dispute dissatisfied with any award of the Managing Director/his appointed nominee may appeal to the Advisory and Arbitration Committee against such award within seven days of receipt of such award and any party to dispute dissatisfied with the award of the Panel of Arbitrators may appeal to the Board against such award within seven days of the receipt of such award.

10. How is an Arbitrator appointed?

The appointment of Arbitrators **depends upon the** claimed amount. As explained earlier all claims/disputes up to 0.5 million are referred for Arbitration to the Managing Director of the Exchange who will either himself enter upon the reference or appoint a nominee for this purpose and the claims/disputes above 0.5 million are referred to the Advisory & Arbitration Committee for their resolution/decision.

[For further details please refer to Regulation 32 of the General Rules & Regulations of Karachi Stock Exchange\(Guarantee\) Limited](#)

[For further details please refer to Regulation 5.02 of the General Rules & Regulations of Lahore Stock Exchange \(Guarantee\) Limited](#)

[For further details please refer to Regulation 32 of the General Rules & Regulations of Islamabad Stock Exchange\(Guarantee\) Limited](#)

11. How is an Award made by the Sole Arbitrator/Panel of Arbitrators?

If both parties to the dispute are present at the appointed time and place the arbitrators **may** hear the reference and **announce** the award. If the party against whom the complaint is made is not present the arbitrators may hear and decide the dispute ex-parte. All claims referred to the panel of arbitrators are resolved by **a** majority.

12. Is there any appeal provision for arbitration at the Exchanges?

Yes, there is an appeal provision for arbitration at the Exchanges. According to KSE and ISE General Rules and Regulations any party to a dispute dissatisfied with any award of the Managing Director/his appointed nominee may appeal to the Advisory and Arbitration Committee against such award within seven days of receipt of such award and any party to dispute dissatisfied with the award of the Panel of Arbitrators may appeal to the Board against such award within seven days of the receipt of such award.

According to LSE General Rules and Regulations if any party to a dispute is dissatisfied with any award of the Managing Director/his appointed nominee or with the award of the Panel of Arbitrators may appeal to the Board against such award within seven days of the receipt of such award.

[For further details please refer to Regulation 35 of General Rules & Regulations of Karachi Stock Exchange \(Guarantee\) Limited](#)

[For further details please refer to Regulation 5.07 of General Rules & Regulations of Lahore Stock Exchange \(Guarantee\) Limited](#)

[For further details please refer to Regulation 35 of General Rules & Regulations of Islamabad Stock Exchange \(Guarantee\) Limited](#)

13. Can the sole arbitrator or Panel of Arbitrators grant an adjournment of hearing?

Yes, a sole Arbitrator or Panel of Arbitrators may grant an adjournment of hearing.

14. Can the parties enter into settlement after filing an application for Arbitration?

Yes, even if after the appointment of an arbitrator, the parties settle the dispute amicably then the arbitrator will record the settlement of the dispute in the form of an arbitration award on agreed terms.

15. What is the procedure for filing a complaint with SECP?

The client can file his/her complaint against Stock Exchange Members on the prescribed CRF along with the required documents supporting of his/her claim. The CRF is available free of cost in all the offices of the Exchanges and SECP and on the official websites of these offices. The client can [print and fill out the prescribed form](#) and forward it along with the required documents to:

*The Vigilance Cell
Securities and Exchange Commission of Pakistan
N.I.C. Building, Jinnah Avenue
Blue Area, Islamabad
Tel: (051) 9207091-94
Fax :(051) 9218595*

16. What documents does the client need to support his/her claim?

Following documents are required to support the claim against the Members. In case the client is not able to provide any of the said documents reason for not submitting the same must be provided to the concerned authority.

1. Copy of NIC (in case of companies NIC of the authorized representative)
2. Account opening form of the complainant
3. CDC Sub-account Opening Form/Individual Investor Account Opening Form
4. Relevant Share Deposit Receipts.
5. Relevant Trade confirmations slips/sale-purchase bills
6. Relevant cash receipts and payments made
7. Relevant CDC reports and statements
8. Any other document signed by the complainant or Member during the course of business.

17. What are the costs associated for lodging a complaint with SECP?

The SECP does not charge anything for handling the complaints lodged by the investors against the Stock Exchange Member(s).

18. What happens after the client sends information to the SECP?

All complaints are initially forwarded to the relevant Stock Exchanges for resolution. In case a dispute cannot be resolved through Stock Exchange then ICW may after perusing the documents and giving the parties an opportunity of being heard pass an Order according to the relevant Rules and Regulations.

19. Is there any Appeal provision against the Order?

Any party to the dispute/claim still aggrieved has the option of filing an appeal against the Order. The client can file an appeal under Section 33 of the SECP Act, 1997 before the Appellate Bench of the Commission. The Appellate Bench is vested with the powers to review the Order passed by a Commissioner or Executive Director or Director of SECP.

20. How long does it take before a complaint is decided?

There is no fixed time limit for the completion of adjudication process. Passing of judgment in a particular case depends on a number of factors, which include but not limited to nature of complaint, size of the claim, availability of documentary evidence, and cooperation of parties etc.