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Securities and Exchange Commission of Pakistan

Securities Market Division
Public Offering and Regulated Persons Department

File No. 1(4) SMD/LCID/LSE-2015

March 18, 2016

Equity Master Securities (Pvt) Limited,
Through its
Chief Executive Officer,
Room # 410-411, LSE Building,
19 Khayaban-e-Aiwan-e-Iqbal,
Lahore.

Subject: Order in respect of Show Cause Notice dated December 3, 2015 Bearing Number 1(4) SMD/LCID/LSE-2015

Dear Sir,

Please find enclosed herewith a copy of order in the title matter for your record and necessary action.

Yours truly,


Muhammad Farooq
Additional Director (PRPD)

ORG



Securities and Exchange Commission of Pakistan

Securities Market Division
Licensing and Capital Issue Department

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Before Director/HOD (LCID)

In the matter of Show Cause Notice issued under Section 22 of the Securities and Exchange Ordinance, 1969 to Equity Master Securities (Private) Limited

ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(4) SMD/LCID/LSE-2015 dated December 3, 2015 ("**Notice**") served to Equity Master Securities (Private) Limited ("**Respondent**") by the Securities and Exchange Commission of Pakistan ("**Commission**") under Section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**"). The Respondent is Trading Right Entitlement Certificate Holder/Broker of Pakistan Stock Exchange ("**PSX**") (the then Lahore Stock Exchange Limited ("**LSE**")) and registered as a broker with the Commission under the Brokers Rules.

2. The Commission in exercise of its powers under sub-section (1) of section 6 of the Ordinance, read with Rule 3 and Rule 4 of the Stock Exchange Members (Inspection of Books and Record) Rules, 2001 ("**Inspection Rules**") ordered an inspection of the *inter alia* the books and record required to be maintained by Respondent during the period from January 01, 2014 to December 31, 2014 vide order dated January 2, 2015.

3. The Inspection Team prepared the report ("**Inspection Report**") and the same was shared with the Respondent on April 16, 2015 in accordance with Rule 7 of the Inspection Rules.

4. The Inspection Team observed that the Respondent was non-compliant with the following regulatory framework:

Regulatory framework	Alleged Nature of irregularity
Securities and Exchange Rules, 1971 (SE Rules).	The net capital balance of Rs 27.780 million was overstated by Rs 11.106 million
Rule Book of the then LSE	a) Title of Bank Account of Client does not contain the words "Clients A/c". b) Non-segregation of clients assets c) Deficiencies in standardized account opening forms. d) Non-compliance with branch office regulations.
CDC Regulations	Discrepancies in Sub Account Opening Forms.





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5. In light of observation made in the Inspection Report, the Commission served the SCN to the Respondent under Section 22 of the Ordinance and the Respondent was called upon through its Chief Executive Officer to show cause in writing as to why penalty may not be imposed under Section 22 of the Ordinance.

6. The Chief Executive Officer of the Respondent vide letter dated December 18, 2015 submitted his written response to the Notice.

7. In order to arrive at decision, I have gone through the observations made by the Inspections Team and submissions/comments submitted against each of the observation which may be summarized as under:

S#	Observation of Inspection Team	Response of the Respondent
1	Overstatement of NCB	The Respondent stated that that they were conducting business on behalf our clients with various brokers of the then KSE and the trade receivables were paid to the brokers of then KSE. With the integration of the stock exchanges, the issue would stand resolved.
2	Rule Book of the then LSE	The observations noticed by the inspection team have been rectified.
3	CDC Regulations	All the discrepancies have been rectified.

8. I have examined the observations made by the Inspection Team, comments submitted by the Respondent thereto. I have taken into account the penal actions initiated by the Commission against the Respondent in the past. In view of the above, I am not imposing any penalty on the Respondent. However, the Respondent is hereby advised to ensure strict compliance of regulatory framework, in future.

9. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.



Nasir Askar
Director/HOD(LCID)

Islamabad:
Announced on January 19, 2016