



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

(Securities Market Division)

Public Offering and Regulated Persons Department

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File No. 1(72) SMD/PRPD/PSX/2016

October 04, 2016

Chief Executive Officer,
Escorts Capital Limited
Escorts House, 26-Davis Road,
Lahore.

Subject: ORDER IN RESPECT OF SHOW CAUSE NOTICE DATED AUGUST 4, 2016 BEARING NO 1(72) SMD/PRPD/PSX/2016.

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)

CC to Director (SS&D)



Securities and Exchange Commission of Pakistan
Securities Market Division
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Before the Executive Director (PRPD)
In the matter of Show Cause Notice Issued to Escorts Capital Limited

Date of Hearing August 17, 2016

Present at the Hearing

Representing Escorts Capital Limited

(i) *Mr. Syed Hassan Abid Zaidi* Chief Executive Officer

Representing the Department

(i) *Mr. Amir Saleem* Joint Director (SSED)
(ii) *Mr. Ishfaq Ahmed Saqi* Assistant Director (SSED)

Assisting the Executive Director/HOD (PRPD)

(i) *Mr. Nasir Askar* Director (PRPD)
(ii) *Mr. Muhammad Farooq* Additional Director (PRPD)
(iii) *Mr. Sabeel Ahmed* Management Executive (PRPD)

ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(72) SMD/PRPD/PSX/2016 dated August 04, 2016 ("SCN") served to Escorts Capital Limited ("**Respondent**") by the Securities and Exchange Commission of Pakistan ("**Commission**") under section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**") and rule 8 of the Brokers and Agents Registration Rules, 2001. ("**Brokers Rules**"). The Respondent is a Trading Right Entitlement Certificate ("**TREC**") holder of Pakistan Stock Exchange ("**PSX**") and registered with the Commission as a broker under Brokers Rules.

2. Brief facts of the case are that the Commission vide Circular No. 4/2013 dated April 16, 2013, in exercise of powers conferred under section 6(3) of the Ordinance read with Third Schedule of the Brokers Rules directed all the TREC holders/brokers to submit their financial information through online Financial Reporting System (FRS), within 30 days of the close of the each quarter. Pursuant to aforesaid directive, the TREC holders were required to submit their financial information online through FRS since the quarter ended on September 2013.

3. The Commission also arranged the awareness and training session in June- July, 2015 and March, 2016 for the TREC holders on FRS in Islamabad, Lahore and Karachi. The basic purpose of sessions was to give awareness to the TREC holders on FRS and provide them guidance for filing of their returns.

NIC Building, Jinnah Avenue, Blue Area, Islamabad, Pakistan
PABX: 9207091-94 (102), TEL: 92-51-9100458, FAX: 92-51-9100440



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4. The Commission vide letters dated January 30, 2014, June 10, 2015 and November 03, 2015 directed to then stock exchange(s) to ensure that all TREC holders must submit their financial returns to the Commission through online reporting system, within the stipulated time limit and the stock exchanges disseminated the said direction of the Commission on their websites for information and compliance by the TREC holders. Besides, the Respondent failed to file the obligatory information, detail of which is as under:-

Quarter Detail	Due Date	Status
September-2013	October 30, 2013	Not Filed
December-2013	January 30, 2014	Not Filed
March-2014	April 30, 2014	Not Filed
June-2014	July 30, 2014	Not Filed
September-2014	October 30, 2014	Not Filed
December -2014	January 30, 2015	Not Filed
March-2015	April 30, 2015	Not Filed
June-2015	July 30, 2015	Not Filed
September-2015	October 30, 2015	Not Filed
December -2015	January 30, 2016	Not Filed
March-2016	April 30, 2016	Not Filed

5. The Commission took cognizance of the matter and served the SCN to the Respondent under section 22 of the Ordinance and rule 8 of the Brokers Rules. The Respondent was directed to file written reply to the notice by August 11, 2016, and attend hearing on August 17, 2016 to present stance in person. Mr. Syed Hassan Abid Zaidi, Chief Executive Officer **“(Representative)”** vide letter dated August 16, 2016. On the given date, the Representative attended the hearing on behalf of the Respondent. The submissions made by the Representative in writing and verbally may be summarized as under:-

“The Respondent is wholly owned subsidiary of Escorts Investment Bank Limited and always remained committed to fulfill its legal and corporate responsibilities. After issuance of circular No. 4/2013 the Respondent applied for user ID and password so that the requirements of the said circular may be complied with. SECP issued eServices user ID and Password on January 01, 2016. Like all other TREC holders we were facing difficulties in filing the requisite information with SECP. SECP arranged the awareness and training session in March 2016 for the TREC holders to submit financial information through online financial reporting system however, there was a misunderstanding on our part that being wholly owned subsidiary of a public listed company, requirement of filing financial information is being met while our parent company, Escorts Investment Bank Limited filed their consolidated financial information. However, after the requisite training from SECP during month of March 2016 the designated employee left the organization and E-filing could not be completed on time. We are working hard to complete the process at its earliest and expect to complete it shortly. The said non-compliance, if any, is unintentional and interpretation of law from our view point,

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keeping in view the above stated facts it is requested to withdraw the show cause notice and oblige. We further affirm the compliance of all the requirements of SECP in future”.

6. I have considered the aforesaid submissions made on behalf of the Respondent. The primary argument of the Representative was that the Respondent after receipt of user ID and password was facing certain issues in online submission of the returns. During the hearing, the Representative was asked whether the Respondent lodged any complaint with the Commission in this regard. The Representative stated that guidelines and clarification were sought from the Commission verbally on telephone and no complaint in writing was filed with the Commission. The Representative further stated that after attending the training session arranged by the Commission in March 2016, issues being faced by the Respondents were elucidated and the Respondent is now in process of filing the overdue returns through online FRS. He assured that in future the financial information would be filed online through FRS, within the stipulate time limit.

7. In order to arrive at decision, I have reviewed the available record. The Respondent failed to substantiate the claim that it was facing issues in online submission of the returns, however subsequent to the hearing it has filed the overdue returns. The relevant department of the Commission i.e. Surveillance, Supervision and Enforcement Department has also confirmed in writing that the Respondent has filed all financial returns for the requisite quarters through FRS.

8. Based on the foregoing and keeping in view the assurance from the Respondent for timely compliance of directive given through Circular No. 4/2013 dated April 16, 2013, issued in exercise of powers conferred under section 6(3) of the Ordinance read with Third Schedule of the Brokers Rules, I am not imposing monetary penalty under section 22 of the Ordinance on the Respondent. However, the Respondent is strictly warned to ensure compliance of aforesaid regulatory framework in letter and spirit, in future.

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

Asif Jalal Bhatti
Executive Director (PRPD)

Announced on October 3, 2016

Islamabad.

