



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

Press Release

SECP takes brokerage houses to court for fraud

ISLAMABAD, August 22: The Securities and Exchange Commission of Pakistan has filed criminal complaints in a court against M.K.A. Securities (Private) Limited and Prudential Securities Limited, former members of the Karachi Stock Exchange for not transferring shares/funds and for their unauthorized pledges of clients' shares and other prohibited activities under the Section 24 (2) of Central Depositories Act, 1997 as well as offences under relevant provisions of the Pakistan Penal Code. The arrests warrants have been issued for all the 12 accused.

The SECP had received many complaints against them. They failed to comply with the SECP directions to resolve complaints and to transfer shares into respective Central Depository Company accounts. Consequently, on June 26, 2009, the SECP suspended their registration along with three other brokerage houses. The SECP appointed committees comprising officers from the SECP, KSE and CDC to enquire into the matters relating to unresolved complaints against the five brokers.

The records revealed that they, without clients' consent, transferred shares and pledged them with the bank to obtain financing. The finances so obtained were mostly used to liquidate liabilities of brokerage houses or its directors, their relatives and friends. They and their bigwigs also misused the powers given to them under CDC sub-account opening form in moving or pledging the shares of their clients from their respective sub-accounts, resulting in a total loss to the clients. The Prudential Securities Limited, in addition to above, also transferred clients' shares to its associated/group companies

Earlier, SECP had also filed similar criminal complaints against Capital One Equities Limited, Kliktrade Limited and Eastern Capital Limited. The copies of five enquiry reports and respective criminal complaints are available on the SECP website.

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