



## SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

*International Affairs, Communication & Coordination (IACC) Department*

### **PRESS RELEASE**

#### **FOR IMMEDIATE RELEASE**

#### **SECP takes brokerage house to court, warrants issued**

**ISLAMABAD – January 12:** The Securities and Exchange Commission of Pakistan (SECP) has filed a criminal complaint in a court against Eastern Capital Limited, ex-member of the Karachi Stock Exchange (KSE) and all those, including its director, involved in non-transfer of shares/funds and unauthorized pledges of client's shares and other prohibited activities under Section 24(2) of the Central Depositories Act 1997 as well as offences under relevant provisions of the Pakistan Penal Code (PPC). The warrants for all the accused have been issued.

The SECP received numerous complaints/claims against five KSE brokers mainly pertaining to the alleged non-transfer of shares and non-payment of funds. The SECP directed the brokers to expedite resolution of complaints/claims and issued instructions for the immediate transfer of shares/funds to the claimants. The brokers failed to remedy the situation, obliging the SECP to suspend registration of Eastern Capital Limited and four other brokers.

Moreover, the SECP initiated enquiries against five brokers and appointed enquiry committees comprising officers from the SECP, KSE and CDC.

It emerged that the shares of the clients which were in control of Eastern Capital Limited for trading purposes only were moved, pledged and transferred to other accounts, without any authorization. The shares were pledged with banks to obtain financing which were mostly used to liquidate liabilities of the brokerage house resulting in total loss to the investors.

Consequently, the SECP filed a criminal complaint in the court of Session Judge Karachi South against the Eastern Capital Limited and others. This is the third criminal complaint against the brokerage houses involved in illegal pledging of shares. The earlier two criminal complaints were filed against Capital One Equities Limited and Cliktrade Limited.

The SECP has also moved a reference under Section 18(b)(i) of the NAB Ordinance, 1999 with a request to investigate the affairs of Capital One Equities Limited and Cliktrade Limited to punish the culprits who have cheated innocent investors and to recover the investors' savings which have been misappropriated/transferred for the personal benefits of the sponsors, directors and their associated concerns.

In addition, the SECP took steps to curb such market abuse by improving regulatory framework to facilitate the market participants. In this connection the SECP has recently approved a project of "Automation of Securities Settlement" which has jointly been implemented by NCCPL and CDC to facilitate the market participants to automate the mechanism for settlement of book-entry securities by eliminating the need for any manual intervention. The new system not only improves efficiency but also help in preventing mishandling of book entry securities of clients.

The copies of enquiry report on Eastern Capital Limited and criminal complaint are available on the SECP website. The SECP has also finalized the enquiry reports on the other two expelled KSE members and legal action is being taken against all those who were involved in prohibited practices.

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