



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

## PRESS RELEASE

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### **SECP adopts stringent measures for market surveillance**

**ISLAMABAD, February 12:** The Securities and Exchange Commission of Pakistan (SECP) has strengthened its monitoring and surveillance of trading activity at the exchanges and restructured and reinforced its Market Surveillance and Special Initiatives Department.

Stringent measures will be adopted to ensure integrity and fairness in the trading activity and to identify abusive, manipulative and irregular trading practices. With additional resources in place, the department now consists of three separate wings, i.e. the Market Surveillance Wing, the Market Watch and Development Wing and the Media and Research Wing.

This reorganization of Market Surveillance department has enhanced the SECP's capacity and effectiveness for monitoring and surveillance of Pakistan's capital markets, not just through monitoring trading activity but monitoring of the entire spectrum, including observing company announcements, index movements, media reports, rumors and speculation. All of this strengthens the SECP's position as a robust regulator and further instills confidence within the capital markets.

This emphasis on the protection of investors' interests and curtailing market abuse has resulted in 30 actions this year. This represents over 50% of the entire actions taken the previous year and almost equals the total number of actions taken the year before. In this regard, 9 actions have been taken on insider trading/front running, 2 orders have been passed under Section 22 of the 1969 Securities and Exchange Ordinance (SEO), 4 prohibitory orders under the SEO have been issued, along with 15 warning letters to market participants.

Three orders were passed against the KATS operators of three brokerage houses for disclosing non-public material information to their close relatives pertaining to the trading orders of the clients of the brokerage house whose trades were executed through the terminals allocated to them. A penalty of Rs700,000 was imposed on the KATS operators under Section 15E(3) of the SEO. Simultaneously, 5 orders were issued against the individuals, who traded on the basis of the inside information passed to them by the KATS operators of the brokerage houses and a cumulative fine of Rs10.603 million was imposed under Section 15E(1) of the SEO.

In addition, the department has also issued an order imposing a penalty of about 69 million rupees on an individual for insider trading, on the basis of trading on prior information of acquisition of a substantial amount of shares (11.24%) of a listed company by a company he was associated with. The order was issued under section 15A of the SEO, making it the largest penalty imposed by the SECP since its inception.

Furthermore, two orders were passed under Section 22 of the SEO, one which involved an associated person participating in the book building process in an attempt to manipulate the

#### **Media and Corporate Communications Department/Spokesperson**

Securities and Exchange Commission of Pakistan

NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad – 44000 Pakistan

Direct # +92 51 9214005 Fax # +92 51 9206515 Cell: +92 300-9882237

Email: [sajid.gondal@secp.gov.pk](mailto:sajid.gondal@secp.gov.pk)

[www.secp.gov.pk](http://www.secp.gov.pk)

strike price and therefore a penalty of Rs1 million has been imposed and in the other, a penalty of Rs100,000 was imposed on a brokerage house for lacking adequate KYC requirements, which the SECP views as the key requirement to document the identity of a client and ensure no unscrupulous and/or criminal elements participate within our markets.

**Media and Corporate Communications Department/Spokesperson**  
Securities and Exchange Commission of Pakistan  
NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad – 44000 Pakistan  
Direct # +92 51 9214005 Fax # +92 51 9206515 Cell: +92 300-9882237  
Email: [sajid.gondal@secp.gov.pk](mailto:sajid.gondal@secp.gov.pk)  
[www.secp.gov.pk](http://www.secp.gov.pk)