

Aug. 20, 2003

Update on Action Against Unauthorised and Illegal Activities of so-called Forex and Brokerage Companies

SECP had issued warning to the general public through the print media and its web-site about the unauthorized activities of certain companies, firms and individuals which were fleecing the public by accepting money in foreign exchange on promise of exorbitant monthly profit. The Commission initiated action against such unscrupulous persons and while looking into their affairs it revealed that they were offering 20 to 70% return on the deposits raised from innocent people and though being companies registered under the Companies Ordinance, 1984 were not maintaining any books of accounts and all the deposits collected from their customers were going in their personal accounts.

2. The Commission after completing necessary legal formalities has moved winding up petitions against the following companies :-

Lahore High Court

- i. M/s. Bulls & Bears (Private) Ltd.;
- ii. M/s. Offshore Global Management (Private) Ltd.;
- iii. M/s. World Business Consultants (Private) Ltd.;
- iv. M/s. United Brokerage Consultants (Private) Ltd.;
- v. M/s. Forex Services International (Private) Ltd.;
- vi. M/s. Trade Stations Securities (Private) Ltd.;
- vii. M/s. Rouf International Advisory Services (Private) Ltd.
- viii. M/s. Tycoon International (Private) Ltd.;
- ix. M/s. Fidelity Future Management (Private) Ltd.;
- x. M/s. Exchange Impex (Private) Limited.

Sindh High Court

- i. White House Securities (Private) Ltd.;
- ii. Wall Street Securities (Private) Ltd.

3. Though the Lahore High Court is closed due to summer vacations but due to urgency in the matter, the honourable court allowed petitions to be filed against these companies. The Honourable Lahore High Court while admitting liquidation petition presented by the Commission directed to place the names of directors of the companies on ECL and also directed freezing personal accounts of directors. The Honourable Sindh High Court has also admitted the two winding up petitions filed at Karachi.

4. Meanwhile liquidation petitions in respect of following companies are also ready for filing in the Lahore High Court:-

Lahore High Court

- i. M/s. Harvest International (Private) Ltd.;
- ii. M/s. Pindex (Private) Ltd.;

5. The modus operandi of these brokerage firms has turned out to include the following dubious way of working:-

- These brokers generally ask people to make payment of US\$ 5,000 and above per client.

- It is promised to the client that the money would be transferred to some broker's account in another country. To prove this to the client, they make a telephone call to a telephone abroad which convinces the client that he is investing with an international brokerage although the telephone set is actually located in Pakistan and in this manner they play fraud with the public
- These brokerage in fact do not remit Dollars collected to anybody outside Pakistan and transfer the same to their own or associated persons accounts in Pakistan or abroad through illegal channels rather than normal and authorized banking channels.
- The clients are asked to sign an agreement stipulating that in the event of loss of investment, the local or foreign broker would not be liable to bear any loss. Clients money in last in bits in a few months time and he has no remedy due to the agreement signed by the client.
- Generally, these brokers have made their employees to sit in their premises with computer terminals with pseudo-trading arrangement. Brokers show these people as agents of the international brokers but in fact they are agents of the local companies.
- These brokers at times promise profit of even six % per month. Obviously, this rate of profit is only a fallacy and no business can be expected to earn legally that high profit. Actually these brokers are making payment of profit out of further deposits obtained from the public.

6. It may be mentioned that SEC had decided to come down upon these companies with a heavy hand to curb their unlawful activities, on the one hand, and to save further losses to the general public and provide relief to those who have already invested with them, on the other hand.

7. Cases of several other companies doing illegal and unlawful business are in hand. Public, in their own interest, is requested not to fall pray to any of the above or any other company, firm or concern doing this business and ignore their claims for unusual gains or profits.

Update Subsequent to the Above:- Winding up petitions in respect of the following two companies have also been filed and admitted for hearing by the Honourable Lahore High Court:-

- 1. M/s Harvest International (Pvt) Limited.**
- 2. M/s Pindex (Pvt) Limited.**

Their directors have also been placed on E.C.L.