

Press Release

SEC Imposes Rs. 0.5 million Fine on PICIC

Islamabad – January 4, 2005: The Securities and Exchange Commission of Pakistan (SEC) has imposed a fine of Rs. 0.5 million on Pakistan Industrial Credit & Investment Corporation Limited (PICIC) for indulging in the trading of PICIC Investment Fund (PIF) and PICIC Growth Fund (PGF) in a manner that influenced the certificate prices of these Funds to its advantage.

The trading activities in PIF and PGF (formerly ICP SEMF) on 25 June 2004 were observed to be unusual and abnormal. During the last three minutes of trading in PIF and PGF, not only abnormally high turnover was witnessed but abnormal price fluctuation was also observed. Details of trading, which took place in the certificates of PIF and PGF on 25 June 2004, revealed that PICIC was the major buyer in the last three minutes of the trading session.

According to the details, PICIC had avoided trading for most part of the trading time when certificates were available at favorable prices. The decision of PICIC to buy aggressively in the last minutes, thereby pushing the prices up, clearly showed that the purpose was not to buy certificates in normal course. After successfully pushing the prices upward in PIF and PGF in a manipulative manner, PICIC sold 49,155,672 certificates of PIF and 12,600,000 certificates of PGF on 28 June 2004 at closing market price of 25 June 2004 to PICIC-Asset Management Company and in the process made substantial profit.

The SEC believes that such attempts to generate artificial turnover and price movement tend to induce unsuspecting investors to trade in such scrips. This is detrimental to the interest of small investors as well as development of fair and transparent market. It is, therefore, important for the protection of investors and to ensure a transparent functioning of the stock market that such acts of market participants are appropriately penalized.