



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

International Affairs, Communication & Coordination (IACC) Department

PRESS RELEASE

SECP takes legal action against brokerage firms, issues warning letters

ISLAMABAD–August 5: In order to strengthen the integrity and soundness of the securities market for the benefit of the investors and other market participants, the Securities and Exchange Commission (SECP) is striving to maintain fair, transparent and efficient markets.

The Securities Market Division of the SECP actively monitors the trading activities of the stock market to check the compliance of prevailing regulatory framework and to investigate potential violations of the securities laws. This is evident from numerous enforcement cases initiated and actions taken during the current year.

Based on the severity of the offence, strict actions have been taken by the SECP as provided under the law. In the seven months of 2010, legal proceedings were initiated in seven different cases for violations of securities laws with special reference to insider trading, short/blank selling, wash trades, erroneous trades and broker misconduct; the orders were issued after conducting hearings and penalties were imposed under the Securities and Exchange Ordinance, 1969 and Brokers and Agents Registration Rules, 2001 to the brokers of the stock exchanges and other market stakeholders.

These orders are available on the SECP website at www.secp.gov.pk/orders.asp. Moreover, in those cases where the offence has been committed due to trading error/operational mistake, strict warnings have been issued to the brokers. The SECP has issued warning letters to 27 brokers of the Karachi Stock Exchange and 7 brokers of Lahore Stock Exchange for possible violations of the blank sales, wash sales, circular trading, cross trades, broker misconduct etc. The warning letters are available on the SECP website at www.secp.gov.pk/warnings.asp. The market participants are encouraged to read these orders/warning letters to develop their understanding and compliance of the regulatory framework.

In the interest of public at large and in view of the large number of investors complaints mainly pertaining to the alleged non-transfer of shares and non-payment of funds, the enquiries have also been initiated under section 21 of the Securities and Exchange Ordinance, 1969 against the four expelled/defaulted brokerage houses of the Karachi Stock Exchange during the first half of 2010.

In recent months the SECP has filed criminal complaints in a court against Capital One Equities Ltd and Cliktrade Ltd, former members of the Karachi Stock Exchange for misappropriation of the clients' assets including 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 SECP is resolved to pursue its agenda for fair market practices, transparency and investor confidence for the growth, development and stability of the capital market.

Shakil Ahmad Chaudhary

Head, Internal and External Communication

Securities and Exchange Commission of Pakistan

NIC Building, 63 Jinnah Avenue, Islamabad

Tel: 921-4005 or 921-4009 ext. 378

Fax: 920-6459

Cell: 0302-855-2254