



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Press Release
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SECP to use full force of law against absconding brokers

ISLAMABAD, February 7: The SECP shall use the full force of law against stockbrokers who have absconded with cash and securities of their clients, Mr. Zafar Hijazi, the SECP Chairman, said on Tuesday.

The Commission held a lengthy meeting on Tuesday evening to review the situation arising out of sudden closure of business by a Lahore-based stockbroker, M.R. Securities. This brokerage house was the subject of a recent inspection by the Surveillance, Supervision, and Enforcement Department of the SECP.

The SECP inspection team demanded back office data from M.R. Securities, following which its owner, Mr. Mazhar Rafique, disappeared without providing the record. When the SECP's inspection team highlighted this fact, the Commission immediately sent a team of officials to Lahore on Monday night to seize all back office records from the brokerage house.

The SECP Chairman said that the management personnel of Pakistan Stock Exchange who have failed to fulfil their responsibility in protecting investors shall also be held accountable. As the front line regulator, the stock exchange bears responsibility to ensure that investors are not at risk of fraud by the broker.

Mr. Hijazi expressed concern that investors did not pay attention to the SECP's repeated guidance to take due precautions while trading through a stockbroker. Time and again, investors have been warned to carefully monitor the records of their cash and securities and only make payments through crossed cheques. But preliminary reports show that instead of following the SECP's guidance, some investors had been lending money through this broker in off-system illegal *badla* financing.

The SECP Chairman has ordered a complete review of the current system that allows all stockbrokers to hold custody of clients' shares and cash. The SECP team shall be taking all possible remedial measures to protect investors and any broker found negligent in ensuring safe custody of client assets and records shall be subject to strict action, he added.