



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)
Market Supervision and Registration Department

Confidential

File No. 1(16) SMD/MSRD/C&IW/2013

January 13, 2014

The Chief Executive Officer,
M. M. Securities (Private) Limited,
M. M. Tower, 3 C,
Khayaban-e-Ittehad,
Phase II. Ext D.H.A,
Karachi.

Subject: Warning Letter in respect of Inspection of M.M. Securities (Private) Limited

This is with reference to the inspection order dated March 27, 2013 whereby an onsite inspection of M.M. Securities (Private) Limited ("MMSL") was conducted by the Securities and Exchange Commission of Pakistan ("the Commission"). Pursuant to the said inspection, the inspection team submitted its report, the findings of which were duly shared with MMSL for its comments.

2. The Commission, after considering findings of the inspection report and the reply submitted by MMSL, is of the view that certain violations of the applicable regulatory framework highlighted by inspection team needs to be rectified/removed by MMSL. Accordingly, MMSL is strictly warned to exercise caution and be careful in future and ensure strict compliance with the governing regulatory framework in general and with regard to the following in particular:-

A. *General Regulations of Karachi Stock Exchange Limited ("KSE")*

- i. Regulation 41(1)(a) of the KSE General Regulations with regard to maintenance of separate bank accounts for handling the clients funds.
- ii. Clause 7(b) of the Special Terms and Conditions specified in the Standardized Account Opening Form contained in the KSE General Regulations with regard to settlement of securities in case of nonpayment by the clients.

B. *Regulations for Proprietary Trading, 2004*

Clause 7(iii) of the Regulations for Proprietary Trading, 2004, with regard to proper classification of the accounts of its directors.

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C. Regulations Governing Risk Management

Regulation 9.4 with regard to collection of all margins and MtM losses from the respective clients in accordance with total margin requirements as prescribed by the KSE.

3. In light of the above referred inspection report, MMSL is further directed to:
 - i. Conduct audit in light of Regulation 13 of the Internet Trading Regulations of the KSE by March 31, 2014 and submit the report in the context by April 15, 2014.
 - ii. Ensure submission of application for relaxation in educational qualification by the traders of MMSL by February 15, 2014.
4. Please note that this letter is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matters subsequently taken up or investigated and/ or brought to the knowledge of the Commission.

Yours sincerely,

(Imrah Hayat Butt)
Director/HOD (MSRD)

Cc:

The Chief Regulatory Officer,
Karachi Stock Exchange Limited