

**Before the Director (Broker Registration & Investor Complaints Wing)
Market Supervision & Capital Issues Department
Securities Market Division
Securities and Exchange Commission of Pakistan**

In the matter of Show Cause Notice dated February 7, 2012, issued to
M/s. First Pakistan Securities Limited Member of the Lahore Stock Exchange (G)
Limited

Date of Hearing :	February 20, 2012
<u>Present at the Hearing:</u>	
<u>Authorized Representative of the Respondent</u>	Mr. Ali Raza Jaffery
<u>Assisting the Director (BR&ICW):</u>	Ms. Asima Wajid - Deputy Director

ORDER

1. This Order shall dispose of the proceedings initiated through Show Cause Notice ("SCN") No. 4(BRL-91)/SMD/SE/2002 dated February 7, 2012 issued to M/s. First Pakistan Securities Limited ("the Respondent") under Rule 8 of the Brokers and Agents Registration Rules 2001 ("the Rules").

2. Brief facts of the case are that the Respondent is a member of Lahore Stock Exchange (G) Ltd. ("the LSE") and registered with the Securities & Exchange Commission of Pakistan ("the Commission") as a broker under the Rules.

3. Pursuant to the requirements of the Rules, the Respondent applied for renewal of its Certificate of Registration with the Commission on September 20, 2011. The scrutiny of the said application revealed that financial health of the Respondent had seriously been deteriorated as per its statements for the year 2011 and the Respondent was operating with negative equity. Given the serious nature of concern, the Commission vide letters dated November 4, 2011, November 25, 2011 and December 15, 2011 advised the Respondent to inject additional equity to support its financial position. However, despite of Commission's continuous instructions, the

Respondent failed to take necessary steps for the revival of its financial position. Taking notice of such failure, a SCN dated February 7, 2012 was served to the Respondent for initiating action under Rule 8 of the Rules.

3. Accordingly, a hearing in the matter was held on February 20, 2012, where Mr. Ali Raza Jaffery, an authorized representative of the Respondent, appeared and provided written comments on behalf of the Respondent. The summary of the arguments and justifications provided by the representative of the Respondent during the hearing are as under:

- i. The sponsors have injected an amount of Rs. 125 million as interest free loan to the Respondent.
- ii. The Respondent has successfully negotiated restructuring of the loans with the Summit Bank, as a result of which the bank has waived the markup of an amount of Rs. 168 million. And the markup rate on the outstanding balance has been reduced to half cost of funds (as defined by SBP). Mr. Jaffery further confirmed that negotiations are being carried out with the remaining banks for restructuring of loans and waiver of markup.
- iii. During the eight months period of the current year, the Respondent has recovered an amount of Rs. 309 million from the negative equity and the remaining amount would also be recovered as the market recovers.
- iv. The Respondent has around 514 account holders/clients and there is no complaint outstanding/pending with the Commission or the LSE against the Respondent.

4. Keeping in view the steps taken so far by the Respondent for revival of its financial position, observing that there is no complaint against it and in the larger interest of the investors and stakeholders, a lenient view is taken and the Certificate of Registration of the Respondent is renewed. However, the Respondent is directed to submit quarterly reports to the Commission regarding the efforts and their outcome for improving its financial position till the time of next renewal.


(HASNAT AHMAD)
Director (BR&ICW)

March 07, 2012

