



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

*Confidential*

File No. 1(3) SMD/MSRD/C&IW/2013

October 7, 2013

**The Chief Executive Officer,**  
A.I Securities (Private) Limited,  
Room #517, 5<sup>th</sup> Floor, Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

**Subject: Inspection of A.I. Securities (Private) Limited**

Dear Sir,

This is with reference to the inspection order dated March 27, 2013 whereby, an onsite inspection of A.I. Securities (Private) Limited ("AISL") 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 AISL for its comments.

2. The Commission, after considering findings of the inspection report and the reply submitted by AISL, is of the view that certain violations of the applicable regulatory framework highlighted by inspection team needs to be rectified/removed at your end. You are, therefore, advised to ensure compliance with the following:-

**A. Securities & Exchange Rules, 1971**

- i. Rule 2 (d) of the Securities & Exchange Rules, 1971 with regards to aging of trade debts for calculation of Net Capital Balance.
- ii. Rule 8 of the Securities & Exchange Rules, 1971 with regards to maintenance of proper books of accounts under the accrual basis of accounting

**B. General Regulations of Karachi Stock Exchange Limited ("the exchange")**

- i. Regulation 41(1)(a) of the KSE General Regulations with regard to maintenance of separate bank accounts for handling the clients funds.

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- ii. Regulation 41(1)(c) of the KSE General Regulations with regard to maintenance of collateral account under participant account for all clients irrespective of the size of business the broker obtain from its clients.
- iii. The Standardized Account opening forms must be in accordance with Regulation 40 of the General Regulations of the exchange.

**C. KYC/CDC Guidelines**

AISL is advised to develop a policy with regards to KYC/CDD as per the guidelines issued on March 16, 2012.

**D. Central Depository Company Regulations**

Clause 6.2A.1 of CDC Regulations with regard to sending statement showing the number of every Book-entry security entered in sub-account of the clients every quarter, within 10 days of the end of each quarter.

3. AISL is advised to exercise caution and be careful in future and ensure strict compliance with the governing regulatory framework. AISL is further required to ensure that a compliance report in the matters mentioned above along with documents evidencing the same is received within 30 days of the date of this letter.
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,



**(Imran Inayat Butt)**  
Director/HOD (MSRD)

Cc:

**The Chief Regulatory Officer,**  
Karachi Stock Exchange Limited