



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)**

BEFORE THE DIRECTOR (SECURITIES MARKET DIVISION)

IN THE MATTER OF NOTICE DATED JUNE 19, 2009 ISSUED TO CAPITAL ONE
EQUITIES LIMITED, MEMBER KARACHI STOCK EXCHANGE ("KSE")

ORDER

1. This matter arises out of the Notice No. SM/KSE-C/Misc./2009 dated June 19, 2009 issued to Capital One Equities Limited ("the Respondent") – Member, Karachi Stock Exchange ("KSE") by the Securities and Exchange Commission of Pakistan (the "Commission") under the Brokers and Agents Registration Rules 2001 ("the Rules").
2. Brief facts of the case are that the Respondent a Member of KSE is a broker registered with the Commission under the Rules. Over the past six months the Commission and the KSE received a significant number of investors' complaints/ claims against the Respondent out of which 167 (one hundred and sixty seven) complaints/claims are still outstanding. Majority of these complaints/claims pertain to the alleged non-transfer of shares to/from the complainants' CDC accounts and non-payment of funds, which have been attributed to the unauthorized pledge/ transfer of securities by the Respondent.
3. In view of the above investors' complaints/claims, the Commission through its various letters including letters dated April 30, 2009, May 21, 2009 and June 08, 2009 advised the Respondent to expedite resolution of its pending investor complaints/ claims and issued instructions for the immediate transfer of shares as mentioned in the complaints against the Respondent to the respective CDC account of the complainants, under intimation to the Commission.
4. Taking into consideration that no concrete steps were taken by the Respondent for resolution of pending investor complaints/ claims and the Respondent's failure to communicate any progress in this context, the Commission, vide its letter of June 09, 2009 scheduled a

meeting with the Respondent at 12.00 p.m. on June 15, 2009 at the Commission's Headquarters in Islamabad. However, despite specific instructions of the Commission, the Respondent upon receipt of the notice of the said meeting neither acknowledged receipt of the same nor gave any confirmation with regard to its participation.

5. The Commission on June 11, 2009 received a copy of KSE's letter addressed to the Central Depository Company of Pakistan Limited (CDC) wherein KSE requested the CDC to freeze CDC accounts belonging to the Respondent, as KSE Board of Directors in its meeting held on June 11, 2009 had decided to switch off all trading terminals of the Respondent considering that KSE had recently received several investors' complaints against the Respondent and there was no responsible staff available including the nominee director, to explain these complaints.

6. In addition to the above correspondence and in light of the Respondent's absence from the meeting scheduled for June 15, 2009 and lack of any response/ confirmation of receipt to the Commission's letter of June 09, 2009, the Commission vide its letter dated June 16, 2009 advised the Respondent to furnish complete information regarding the current status of all complaints/ claims lodged against the Respondent and actions taken, if any, for the resolution of said investor complaints. The Respondent was also advised to submit a plan/ timeframe for resolution of the outstanding complaints.

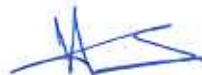
7. In view of the non-transfer of shares despite repeated requests of the Respondent's clients and Commission, KSE's aforementioned letter intimating switching off of all terminals of the Respondent, non-response to various Commission letters as detailed above and absence of the Respondent without any intimation from the meeting scheduled by the Commission, the Commission in exercise of its powers conferred under the Rules issued a Notice bearing Number SM/KSE-C/Misc./2009 dated June 19, 2009 ("Notice") to the Respondent for *prima facie* violation of Rule 4 and Rule 12 of the Rules. The Respondent was afforded an opportunity of hearing before the Director (SM) on June 25, 2009.

8. The Respondent, however, failed to file any response to the Notice issued by the Commission and also remained absent on the date of the above hearing without any intimation to the Commission despite service of the Notice.



9. The Respondent's failure to ensure attendance in both the opportunities of hearing provided to the Respondent by the Commission establishes that the Respondent has nothing to say in his defense. Therefore after reviewing the evidence available on record and the written submissions made by KSE, I am of the considered opinion that the Respondent has defaulted in compliance with the provisions of the Rules and the applicable laws by neglecting to submit requisite correspondence and documents as advised by the Commission and also by not complying with the Commission's direction issued from time to time with respect to settlement of the complaints/transfer of securities to the respective CDC accounts of the clients. This conduct of the Respondent is in clear violation of Rule 12 of the Rules which makes it mandatory upon a broker holding certificate of registration under the Rules to abide strictly by the Code of Conduct strictly and maintain high standards of integrity, promptitude and fairness in the conduct of all his business as stipulated in the said Rules. The Respondent has also apparently misused the securities of its clients by way of unauthorized pledge/ transfer and either is not in a financial position to settle the pending investor complaints/claims or is not serious in resolving the investor complaints/claims.

10. In view of the foregoing, and the Respondent's failure to resolve long outstanding investors' complaints/ claims despite repeated directions issued by the Commission and lack of any information furnished by the Respondent to enable the Commission or KSE to assess the exact quantum of investors' complaints /claims, I am of the considered opinion that the Respondent has clearly neglected and failed to comply with the requirement of Rule 4 and Rule 12 of the Rules and various instructions issued by the Commission from time to time therefore the continuation of Respondent in the securities business is not in the interest of investors. The violation of Rules and Regulations and non compliance with instructions of the Commission is a serious matter and warrants stern action. Therefore, in the public interest, for the protection of investors and to preserve capital market integrity; and taking into consideration that the Respondent has neither verbally nor through any written submissions, in any way, produced any evidence in his defense. I, in exercise of powers conferred by Rule 8 of the Brokers and Agents Registration Rules, 2001 hereby order the suspension of registration of the Respondent, till claims against the Respondent in light of the investors complaints can be ascertained and settled, in accordance with law. The Respondents failure to settle the claims may result in cancellation of the registration as provided in the Rules.



11. This order is being issued without prejudice to any other actions which may be taken against the Respondent under law for the above stated violations or any other violations/contraventions which may come to light subsequently.


(HIZBULLAH SIDDIQUI)
Director (SMD)

Islamabad.

June 26, 2009