PRESS RELEASE

(Karachi, April 29, 2015): The Karachi Stock Exchange has suspended the operations of ACE Securities Limited (ACE) from April 27, 2015 after non-receipt of response to KSE's notice to ACE asking for explanation pertaining to investor complains received by KSE for the first time on April 20, 2015.

It may be noted that the since the first complaint, KSE followed the regulatory procedure set forth in the Exchange's Regulations of asking the relevant broker to respond to KSE's questions regarding complains received against the broker.

In view of increasing number of complaints, KSE sent letters to ACE Securities on April 20, 2015 and asked them to send their representatives to the Exchange for hearing.

On April 21, 2015 the Exchange received a letter from ACE's manager operations who is also a 5% shareholder, requesting the Exchange to allow them a week to settle claims of clients. In the letter he mentioned that CEO, Mr. Haroon Iqbal has agreed to handover his personal property (claimed to be worth Rs100million) and other assets (claimed to be worth Rs20 million) as well as sell KSE's shares & TRE Certificate in the name of ACE Securities in order to settle investors' claims. KSE still did not know the authenticity of this shareholder's assertions as he had no documentary proof of being an authorized representative of the brokerage house.

In order to protect investor interest, on April 21, 2015 KSE requested the Central Depository Company (CDC) to impose restrictions on ACE Securities' Participant Account at CDC.

As the number of investor complaints rose to 82 and prima facie claim amount reached Rs87million the Chief Regulatory Officer issued a notice to the broker on April 23, 2015 that their trading terminals will be suspended before market opening on Monday, April 27, 2015. The Board of KSE ratified this action of the CRO, as required under the Exchange's regulations.

As of end of business day, April 29, 2015 the Exchange received a total of 174 complaints/claims, prima facie amounting to approximately Rs152million. Initial analysis indicated that the top 15 complains (out of 174 received) accounted for about 55% of total prima facie claims' value, as of April 28, 2015. The Exchange also seized back office records of the concerned broker with a view of conducting an audit by one of the top audit firms in order to ascertain the veracity of claims and underlying transactions.

The Board of Directors of the Exchange, in its Board meeting scheduled for tomorrow (April 30, 2015) will further assess the situation and take further actions as necessary under the regulations of the Exchange.

The above is a summary of facts and events as they occurred since April 20, 2015 when the first complaint against ACE Securities was received by the Exchange.

While the full background will become clear when the SECP appointed investigation Committee provides its report, several points need to be highlighted.

1. The first complaints were received on April 20, 2015 with prima facie value of Rs3.9million.
2. The Regulatory Affairs Department (RAD) of the Exchange, as per procedure laid down in its Regulations, asked for explanation from ACE Securities the very same day.
3. Within 48 hours of receiving the first complain and based on unfolding situation on the ground, KSE advised CDC to restrict movement of securities in the Participant Account of ACE Securities.
4. There were no problems encountered in the clearing and settlement area and all margin requirements were fully met by the concerned brokerage house

It is now becoming clear that investors were facing some issues with ACE Securities since end of January 2015 but not a single investor complained or notified KSE until April 20, 2015. KSE has a complain management system in place which can be notified through the Exchange's website, or via phone or in writing and the Exchange has always urged investors to bring any complaint against their broker to the Exchange immediately . Had any untoward incident or compliant been received by the Exchange early on, the Exchange would have had the opportunity to move into an investigative mode and perhaps limit damage to investors.

The Exchange as front line regulator, first and foremost, looks at trading activity of brokers and has a process in place to assess if the broker is fulfilling all margin requirements and capital adequacy as required by regulations. The issue of segregation of client assets is an important aspect and that is why investors are urged to have an investor account at CDC. CDC periodically asks investors to verify their shares with CDC and also sends an SMS to investors when there is any movement of their shares in the broker's sub-account.

Based on past scenarios of this nature, the National Clearing Company of Pakistan (NCCPL) has soft launched a new service whereby investors who use internet based trading can now have the custody of both their shares as well as cash with NCCPL rather than the broker.

In this instant case, KSE is doing the maximum within its regulatory ambit to limit damage to investors' interest.

KARACHI STOCK EXCHANGE LIMITED

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