

**Before the Director (Market Supervision & Registration Department)
Securities Market Division
Securities and Exchange Commission of Pakistan**

**In the matter of Show Cause Notice Dated January 23, 2013 issued to
First Equity Modaraba, Broker Karachi Stock Exchange Limited**

Date of Hearing: March 14, 2013

Present at the Hearing: 1. Mr. Adil A. Ghaffar (CEO)
2. Mr. Qazi Obaid Ullah, (CFO)

Representing SECP (SMD): Ms. Saima Shafi Rana (Deputy Director-MSRD)

ORDER

1. This Order shall dispose of the proceedings initiated through Show Cause Notice No. 4(BRK-148)SE/SMD/02 dated January 23, 2013 ("SCN") under Section 22 of the Securities and Exchange Ordinance, 1969 (the "Ordinance") issued to M/s. First Equity Modaraba (the "Respondent"), TREC Holder of the Karachi Stock Exchange Limited (the "KSE") and a broker registered under the Brokers and Agents Registration Rules, 2001 (the "Brokers Rules").

2. Brief facts of the case are that the Securities & Exchange Commission of Pakistan (the "Commission") in exercise of its powers under Sub section (1) of Section 6 of the Ordinance read with Rule 3 and Rule 4 of the Stock Exchange Members (Inspection of Books and Record) Rules, 2001 (the "Inspection Rules") ordered an inspection of the books and records required to be maintained by the Respondent.

3. The report dated November 27, 2012 submitted by the Inspection Team highlighted major irregularities in calculation of Net Capital Balance ('NCB') of the Respondent as on June 30, 2012 and it appeared that NCB was not in accordance with the Third Schedule of the Securities and Exchange Rules, 1971 (the "SE Rules"). Thereafter, the Commission served a SCN to the Respondent, the contents of which are reproduced below:-

SUBJECT: SHOW CAUSE NOTICE UNDER SECTION 22 OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969 READ WITH RULE 8 OF THE BROKERS AND AGENTS REGISTRATION RULES, 2001

WHEREAS, M/s. First Equity Modaraba ("FEM") is a Trading Rights Entitlement Certificate ("TREC") Holder of the Karachi Stock Exchange Limited and registered as a broker with the Securities and Exchange Commission of Pakistan ("Commission") under the Brokers and Agents Registration Rules, 2001 ("Brokers Rules").

2. *AND WHEREAS, the Commission in exercise of its powers under Sub-section (1) of Section 6 of the Securities and Exchange Ordinance, 1969 ("Ordinance") read with Rule 3 and Rule 4 of the Stock Exchange Members (Inspection of Books and Record) Rules, 2001*