

# Securities and Exchange Commission of Pakistan

Securities Market Division  
Market Supervision and Registration Department

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No. 4(BRK-131 )SE/SMD/04

May 15, 2013

Chief Executive Officer,  
Dawood Equities Limited,  
11<sup>th</sup> Floor, Trade Tower,  
I.I. Chundrigar Road,  
**Karachi.**

**SUBJECT: INSPECTION OF BOOKS AND RECORDS OF M/S. DAWOOD EQUITIES LIMITED - BROKER KARACHI STOCK EXCHANGE LIMITED**

Dear Sir,

This is with reference to onsite inspection of M/s. Dawood Equities Limited (DEL) conducted by the Securities and Exchange Commission of Pakistan ("Commission").

2. The inspection team in its final report has highlighted various deficiencies /non-compliances committed by DEL in the conduct of its business as a broker under the governing laws, rules, regulations and guidelines. In light of findings of the inspection report and your comments thereon, the Commission is of the view that following violations of applicable regulatory framework need to be rectified/removed at your end:-

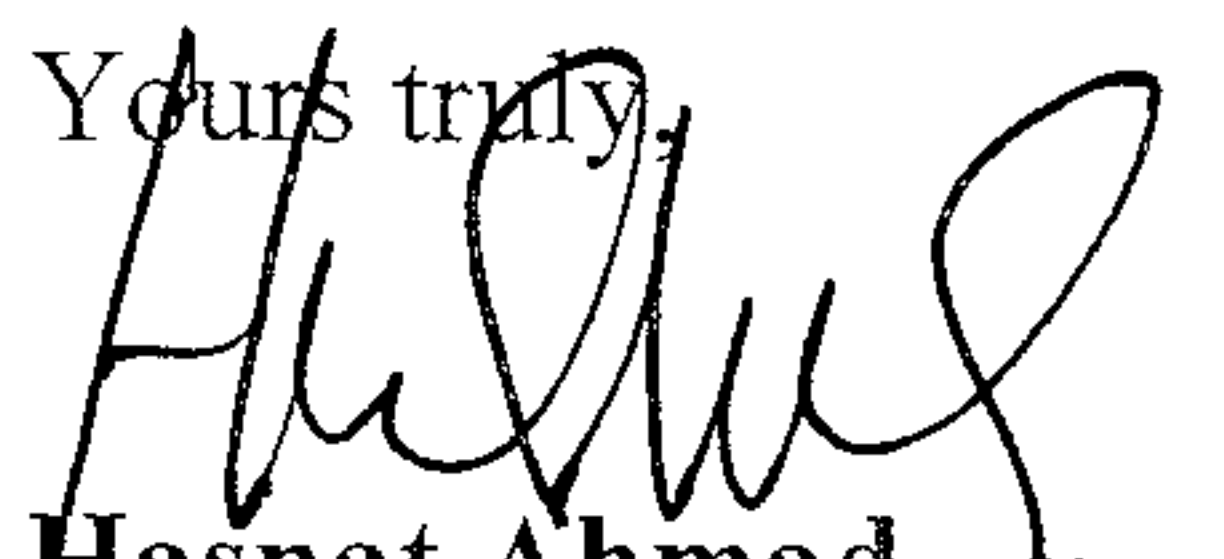
<b>Violations</b>	<b>Relevant Provisions</b>
Net Capital Balance was not in accordance with the Rules.	Rule 2 (d) of Securities & Exchange Rules, 1971
Weekly Net Capital Balance was not maintained by DEL	Rule 3 (e) of Securities & Exchange Rules, 1971
Margin deposit book was not maintained	Rule 5(i)(d) of the Stock Exchange Members (Inspection of Books and Record) Rules, 2001
Account Opening Forms do not meet Regulatory requirements	Regulation 40 of the General Regulations of Karachi Stock Exchange Limited
Cash dealing with clients are not in accordance with the requirement	Clause 8 of Special Terms and Conditions of SAOF
Separate bank account was not maintained to comply with the requirements of segregation of clients' assets.	Regulations 41(1)(a) of the General Regulations of Karachi Stock Exchange Limited
Collateral Account was not maintained	Regulations 41(1)(c) of the General Regulations of Karachi Stock Exchange Limited
Standard text was not displayed disclosing the remedy and process how to approach the Investor Complaints Department of the Exchange	Regulation 4(xvi) of Regulations Governing KSE Members' office(s)/Branch Office(s) for conducting business and trading of shares and securities within and outside the exchange

A board was not displayed at a conspicuous place at the reception/front office	Regulation 7(d) of Regulations Governing KSE Members' office(s)/Branch Office(s) for conducting business and trading of shares and securities within and outside the exchange
Name of Broker was not displayed outside the office	Regulation 7(a) of Regulations Governing KSE Members' office(s)/Branch Office(s) for conducting business and trading of shares and securities within and outside the exchange
Registration Certificate of Office/Branch Office was not displayed	Regulation 7(c)(i) of Regulations Governing KSE Members' office(s)/Branch Office(s) for conducting business and trading of shares and securities within and outside the exchange
Margin calls were not made	Clause 4.9 of the Risk Management Regulations
Quarterly CDC Balance Report were not sent to the sub-account holders	Regulation 6.2A.1 of the CDC Regulations
The audit was not conducted at the time of commencement of internet trading services	Clause 3 of Internet Trading Guidelines, 2005
The annual periodic audit of systems, controls and procedures was not carried out.	Clause 11 of Internet Trading Guidelines, 2005
Monthly reports on the reliability of services were not submitted to the Commission.	Clause 17 of Internet Trading Guidelines, 2005
DEL failed to provide telephone recording of the transactions	KSE Notice No. KSE/N-330, Dated January 21, 2008
The office of the Chief Executive Officer was vacant for few months	Section 199 of the Companies Ordinance, 1984

3. Please make sure that the compliance report against each of the violation highlighted above should reach this office within **30 days** from the date of this letter. DEL is further advised to be careful in future and ensure strict compliance with the governing rules and regulations.

4. The letter is issued without prejudice to any other action that Commission may initiate against DEL in accordance with law on matters subsequently taken up or investigated and/or brought to the knowledge of the Commission.

Yours truly,

  
**Hasnat Ahmad**  
 Director (BR & ICW)