

# Securities and Exchange Commission of Pakistan

Securities Market Division  
Market Supervision and Registration Department

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No. 4(BRK- )SE/SMD/

May 17, 2013

Chief Executive Officer,  
Prime Securities (Private) Limited,  
34, Karachi Stock Exchange Building,  
Karachi Stock Exchange Road,  
Off I.I. Chundrigar Road,  
Karachi.

**SUBJECT: INSPECTION OF BOOKS AND RECORDS OF M/S. PRIME SECURITIES (PRIVATE) LIMITED- BROKER KARACHI STOCK EXCHANGE LIMITED**

Dear Sir,

This is with reference to the onsite inspection of M/s. Prime Securities (Private) Limited (PSL) 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 PSL 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:-


Violations	Relevant Provisions
Audited financial statements were not prepared on time	Section 233 of the Companies Ordinance, 1984
Balance Sheet was not in agreement with the Book of Accounts maintained by PSL	Section 237 of the Companies Ordinance, 1984
Net Capital Balance was not in accordance with the Rules.	Rules 2(d) of the Securities & Exchange Rules, 1971
Weekly Net Capital Balance was not maintained by PSL	Rule 3 (e) of Securities & Exchange Rules, 1971
Difference in back office record and CDC was observed	Rule 8 of the Brokers and Agents Registration Rules, 2001
Standardized Account Opening Forms (SAOFs) were not updated/amended and addendum to the existing account holders was not sent to bring it in conformity with the requirements of the regulations	Regulation 40 of the General Regulations of Karachi Stock Exchange Limited
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 and
Employees UINs were not updated with NCCPL	Regulation 43 (b) of the General Regulations of Karachi Stock Exchange Limited

Amount in excess of Rs. 25,000 was paid and received by PSL in cash	Clause 8 & 9 of Special Terms and Conditions of SAOF
Telephonic recording of the orders was not maintained	Clause 18 of Special Terms and Conditions of SAOF and KSE Notice No. KSE/N-330, Dated January 21, 2008
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
Certificates of Registration of Broker and Agent were not displayed	Regulation 7 of Regulations Governing KSE Members' office(s)/Branch Office(s) for conducting business and trading of shares and securities within and outside the exchange
No specific KYC and CDD policies and procedures were in place	Anti-Money Laundering Regulation, 2008
List of Directors and Shareholders was not provided to KSE	Article 15(d) of Article of Association of KSE

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. PSL 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 PSL 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 (MSRD)

CC: MD KSE