



Securities and Exchange Commission of Pakistan
Securities Market Division
Public Offering and Regulated Persons Department

No. 1(103)SMD/PRPD/KSE/2017

September 14, 2017

Sunrise Capital (Pvt.) Limited
Through its Chief Executive Officer,
Room No.119, 3rd Floor,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: Order in Respect of Show Cause Notice dated July 25, 2017 Bearing Number No. 1(103)SMD/PRPD/KSE/2017

Dear Sir,

Please find enclosed herewith a copy of order in the title matter for your record and compliance.

Yours truly,

(Raasti Shabbir)
Management Executive (PRPD)

Cc:

Acting Chief Regulatory Officer,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.



Securities and Exchange Commission of Pakistan
Securities Market Division

Before the Commissioner (SMD)

In the matter of Show Cause Notice Issued on Sunrise Capital (Pvt.) Limited

<i>Date of Hearing</i>	<i>August 03, 2017</i>
<i>Present at the Hearing</i>	
<i>Representing Sunrise Capital (Pvt.) Limited</i>	<i>Mr. Mohammad Azam Khan –Chief Executive</i>
<i>Representing the Department</i>	<i>Mr. Muhammad Tanveer Alam (Additional Director-SSED) Mr. Adnan Ahmed, Additional Joint Director Mr. Kashif Ali, Additional Joint Director-SSED)</i>
<i>Assisting the Commissioner (SMD)</i>	<i>Mr. Tahir Mahmood Kiani (Joint Director) Mr. Javed Akther Malik (Joint Director)</i>

ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(103) SMD/PRPD/PSX/2017 dated July 25, 2017 (“SCN”) served on Sunrise Capital (Pvt.) Limited (the “Respondent”) by the Securities and Exchange Commission of Pakistan (the “Commission”) under section 150 and 159 of the Securities Act, 2015 (“the Act”). The Respondent is a Trading Rights Entitlement Certificate (“TREC”) holder of Pakistan Stock Exchange (“PSX”) and registered with the Commission as a broker under Brokers and Agents Registration Rules, 2001 (the “Brokers Rules”).

2. Brief facts of the case are that the Commission conducted a compliance review (“Review”) of regulatory requirements/framework of the Respondent for the period from January 01, 2016 to September 30, 2016. The Review revealed the non-compliances of the Respondent *inter alia non-provision of information, non-maintenance of proper books of accounts and investors’ complaints*. The Commission, keeping in view the gravity of the foregoing non-compliances, initiated an investigation against the Respondent on February 15, 2017 under section 139 of the Securities Act, 2015 (the “Act”) read with the enabling provisions of SECP Act, 1997. The investigation report was concluded on May 23, 2017. The review of the investigation report *prima facie*, transpired that the Respondent was non-compliant with the following provisions of the applicable laws:-

S.No.	Violations	Regulatory Framework Violated
1.	Non-provision of required information	Section 139 of Securities Act, 2015.
2.	Improper books of accounts	Section 79 (1) of Securities Act, 2015.

Details of these violations and relevant instances are re-produced as under:-

Non-Provision of Information:

Section 139(2)(a) of the Act requires that any person who is reasonably believed or suspected by the investigator to have in his possession or under his control any record or document relevant to an investigation or who is so believed or suspected or otherwise having such

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information in his possession or under his control is liable to produce to the investigator any record or document specified by the investigator. The Respondent did not provide complete General Ledgers of the following accounts to investigation team of the Commission despite a notice dated April 26, 2017 was given by the investigation team to the Respondent.

- a. Account titled Sunrise Capital (Pvt.) Limited bearing ledger code ID0005 had activity but the ledger of the same was not provided. Detail of transactions identified during inspection in this account are as below:

Voucher Date	Voucher No	Remarks	Counter	Debit	Credit
29-JUN-16	PAYV-0000029687		C-ID0005	-	4195000

- b. Ledger account of Mohammad Mumtaz Khan, bearing ledger code ID0002 had activity but the ledger of the same was not provided. As per trail balance as on December 31, 2016, an amount of Rs1,263,511 was appearing as receivable from Mr. Muhammad Mumtaz Khan. Details of transactions/activity in this account are as below:

Voucher Date	Voucher No	Remarks	Counter	Debit	Credit
03-JUL-15	PAYV-0000023606	Payment to client	C-ID0002	-	20,000
13-JUL-15	PAYV-0000023787	Paid cheque to Client ID0002	C-ID0002	-	145,000
16-JUL-15	PAYV-0000023846	Paid Cheque to client ID0002	C-ID0002	-	46,000
23-JUL-15	PAYV-0000023887	Payment to client ID0002	C-ID0002	-	250,000
24-JUL-15	PAYV-0000023907	Payment to client ID0002	C-ID0002	-	200,000
30-AUG-15	PAYV-0000025108	PAYMENT REC FROM CLIENT ID ID0002	C-ID0002	-	2,799,972
29-SEP-15	RCDV-0000017345	REC FROM CLIENT	C-ID0002	-	7,220,742
05-APR-16	RCDV-0000017845	Recieved Payment	C-ID0002	3,729,971	-
26-APR-16	RCDV-0000017965	Rec Cheque From Client ID0002	C-ID0002	725,000	-
27-APR-16	RCDV-0000017985	Rec Cheque From Client ID0002	C-ID0002	1,059,000	-
29-APR-16	RCDV-0000018005	Rec Cheque From Client ID0002	C-ID0002	1,495,000	-
04-MAY-16	RCDV-0000018025	Rec Cheque From Client ID0002	C-ID0002	608,000	-
21-JUN-16	RCDV-0000018185	Rec From Client Id0002	C-ID0002	750,000	-

B) Non Maintenance of Proper Books of Accounts:

In terms of sub-section (1) of Section 79 of the Act, the Respondent is required to keep such accounting and other records as prescribed which shall sufficiently explain the transactions and financial position of all business relating to his license and enable a true and fair financial statements to be prepared from time to time and shall keep those records in such manner and



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form as to enable them to be conveniently and properly audited. Examination of the documents provided by the Respondent, prima facie, revealed that proper books of accounts were not maintained by it in accordance with sub-section (1) of Section 79 of the Act. Instances are as under:-

- i. **Im-proper recording in ledgers-** The Respondent made payments to NCCPL/PSX but the same were recorded wrongly in ledger account namely "Long Term Loans from Directors" bearing code "CL0801" and such transactions were narrated as either "Loan received from Directors" or "Loan repaid to Directors".

Voucher Date	Voucher No	Major Counter	Remarks	Amount	Actual Beneficiary	Remarks of Team
03-DEC-15	PAYV-0000030612	N-CA0614	Loan Re-Pay to Director	2,000,000	PSX	Amount paid to PSX
03-DEC-15	RCDV-0000019447	N-CA0614	Received Loan	2,100,000	Sunrise Capital (Pvt.) Ltd.	Amount withdrawn from PSX Cash management System
04-DEC-15	PAYV-0000030613	N-CA0614	Loan Repaid to Director	2,050,000	PSX	Amount paid to PSX
04-DEC-15	RCVD-0000019449	N-CA0614	Received Loan from Director	2,200,000	Sunrise Capital (Pvt.) Ltd	Amount withdrawn from PSX Cash management System
07-DEC-15	PAYV-0000030614	N-CA0614	Loan Repay to Director	2,000,000	PSX	Amount paid to PSX
07-DEC-15	RCDV-0000019450	N-CA0614		2,000,000	Sunrise Capital (Pvt.) Ltd	Amount withdrawn from PSX Cash management System
08-DEC-15	PAYV-0000030620	N-CA0614	Loan Repay to Directors	2,000,000	PSX	Amount paid to PSX
08-DEC-15	RCDV-0000019453	N-CA0614	Loan Rec from Director	1,600,000	Sunrise Capital (Pvt.) Ltd	Amount withdrawn from PSX Cash management System

- ii. **Absence of trade identification-** The client ledgers provided by the Respondent did not contain any unique reference to the transactions being recorded in respective client account i.e voucher no., transaction ID etc. Such discrepancy created an inherent limitation to enable a particular transaction to be identified at any point in time and trace the same from initiation of the order to final settlement.

- iii. **Absence of original entry in Books of Accounts-** Perusal of trading data revealed that majority of trades were executed from the Respondent's proprietary account (Code: ID0780, ID0781, ID0782, ID0783). Upon review of said ledger, it transpired that Respondent recorded entries on net basis (i.e. amount which remain outstanding after sale and purchase or vice versa into provided ledgers) and recorded only capital/ (Loss) into its books of accounts.





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- iv. **Wrong record of entries/transactions in NCSS contra account/ Existence of omnibus account-** Review of a ledger namely "NCSS contra account" (Code: CL0106), it was noted that several types of irrelevant entries were appearing in the said account such as trading, receipts, payments. Moreover, certain unusual entries involving receipt and payment from and to clients / directors were also posted in the said account.
- v. **Difference in NCB audited by two different auditors-** The NCB as of June 30, 2016 filed by the Respondent with PSX certified by M/s Zahid Jameel & Co. Chartered Accountants, which was later dis-owned by the auditor. Later on, it was certified by RSM Avais Hyder Liaquat Nauman, Chartered Accountants, wherein, it has revealed overstatement of NCB by Rs. 19.15 million by the Respondent. Both NCB are reproduced as under:-

	Zahid Jamil & Co. Chartered Accountants		RSM Avais Hyder Liaquat Nauman Chartered Accountants		
Particulars	As at June 30, 2016 (Amount in Rupees)		As at June 30, 2016 (Amount in Rupees)		Net Change
Current Assets					
Cash in Hand or in Bank					
Cash in hand	89,000		141,727		(52,727)
Cash at Bank pertaining to brokerage house	18,687,404		76,938		18,610,466
Cash at Bank pertaining to clients	4,027,802	22,804,206	30,202	248,867	3,997,600
Exposure deposits with PSX		1,201,660		1,200,835	825
Trade receivables					
Book value	5,305,731		9,744,692		
Less: Overdue for more than 14 days	(1,463,598)	3,842,133	(4,352,282)	5,392,410	(1,550,277)
Investments in listed securities in the name of broker					
Securities on the exposure list marked to market	216,250		216,250		-
Less: 15% discount	32,438	183,812	(32,438)	183,813	-
Securities Purchase for clients		-		500,845	(500,845)

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Total Current Assets		28,031,811		7,526,770	20,505,042
Current Liabilities					
Trade Payables	3,943,033		3,970,669		
Less: Overdue for more than 30 days	(3,742,567)	200,466	(3,666,062)	304,607	(104,141)
Other Liabilities		5,583,360		4,133,322	1,450,038
Total Current Liabilities		5,783,826		4,437,929	1,345,897
Net Capital Balance		22,247,985		3,088,841	19,159,144

3. As per record of the Commission, the Respondent has also been penalized by the Commission for the violations mentioned hereunder:-

- i. A penalty of Rs. 300,000/- was imposed on the Respondent vide order dated January 12, 2017 in the matter of non-filing of quarterly information through financial reporting system ("FRS") for the period of September, 2013 to March, 2016. The Respondent neither deposited the aforesaid penalty nor filed an appeal before the Appellate Bench in terms of section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act").
- ii. A penalty of Rs. 300,000/- was imposed on the Respondent vide order dated April 28, 2017 in the matter of non-filing of monthly NCB and Liquid Capital ('LC') Statements for the month of October 2016 and November 2016 in contravention of sub-regulations 04 of Regulations 06 of the Regulations. The Respondent neither deposited the aforesaid penalty nor filed an appeal before the Appellate Bench in terms of section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act").

4. In light of the above findings/violations, the Commission served the SCN to the Respondent under section 150 and 159 of the Act. The Respondent through its chief executive was:

- (i) called upon to show cause in writing within seven days as to why action should not be taken under section 150 of the Act for contravening various provisions of the regulatory framework mentioned above; and
- (ii) advised to appear before the undersigned on August 3, 2017 at 11:15 a.m. to explain the stance in person.

5. The written response of the Respondent was received on August 2, 2017. The submissions made by the Respondent in its written response are re-produced below in verbatim:

A) Non-Provision of Information

We have provided complete ledger and make sure full cooperation with your team at the time of investigation or ever since inception. SRC did not make trade in this account, as there is no record of doing trade in NCCPL records. The entry of 4195000/- was not found in our bank statements as well. However the said amount reflects in ID0005 Ledger, which was removed by our auditor when issued new NCB of Dec 2016. Note that our back office system produces



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only that ledger which contains trade against client code. You can also check from NCCPL system about the trades in this specific account and we are available to provide once again if the team requires it. Find the attached ledger of ID0002 as "Annexure A" of Mr. Muhammad Mumtaz Khan who is a Director of Sunrise Capital (Pvt.) Ltd. which we already provided to investigation team and they also cross checked through Mr. Mumtaz in investigation meeting. We used this account to take investment from Director when required to run operations, as the sponsor was reluctant to invest since 2012 but all these investing activities in his knowledge. This was not an active trading account and you can also cross check from NCCPL.

B) Non-Maintenance of Proper Books of Accounts:

a. Im-proper recording in ledger:

SRC received loan from Director to fulfill daily exposure requirement, as I mentioned earlier that our Sponsor Mr. Saleem did not invest in company since long because his interest with other brokerage house. Note that amount which mentioned by your team which came in our account return next day to company account. You may cross check from our bank statements.

Absence of trade identification:

Kindly provide the annexure for the said observation. Which ledgers contain absence of trade identification? Because as per our records we have provided completed details to investigation team and if they were required so they have to inform us about such discrepancy.

Absence of original entry in Books of Accounts:

They mentioned accounts are our proprietary accounts and as per your our investigation team report submitted to Honorable high Court Sindh that SRC has 96% daily trade data which square up before market closing on daily basis and we always furnished true & fair figures to our regulators. All the annual reports issued by the auditors whom selected from the approved list of PSX. You may also clarify this question from the auditors.

Wrong record of entries/transactions in NCSS contra account/ Existence of omnibus account:

Kindly provide the annexure for the said observation. Might be there is some posting errors but we assure you to rectify in the shortest time as soon as the system will restore.

Difference in NCB audited by two different auditors:

Again, both auditors we chose from the list of approved SECP & PSX list of auditors. M/s. Zahid Jamil & Co (Audit B rated Firm) dis-owned his issued and signed NCB report on personal matter. We contacted to RSM (Audit A rated Firm) to re-issue NCB. SRC believe that if an auditor issued report to a company it should be the responsibility of auditor to answer but we have faced this serious issue singly. SRC already provide justification of this point to NCCPL. Find that letter as "Annexure B" with full clarification.

Reply of Penalties:

Sunrise Capital (Pvt.) Ltd. trading terminal and NCHS both are suspended since December 06, 2016. Quarterly statement required NCHS system and SRC did not fill on suspended terminal. We ask PSX to provide us alternative way to submit these reports. Find a letter as "Annexure C" but unfortunately did not get reply yet. Further, kindly find the attached letter as "Annexure D" for your ready reference where SECP itself restrict NCCPL to release our payments to pay SECP, PSX and NCCPL penalty and other relevant & very necessary expenditure. It is strange to read that penal provisional against Sunrise Capital (Pvt.) Ltd.. SECP restrict us first through debit block of our all Company, Personal and even with very

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high concern of other company Sunrise Technologies all bank accounts which has nothing to do with Sunrise Capital (Pvt.) Ltd during investigation and than instruct to pay penalty amount. SRC asked NCCPL & PSX several times to release our payments from exposure to fulfill these requirements but they denied that's why RSM ("A" rated new Auditor) payment is still pending and no auditor issue LC or other reports without payments. We are still ready and here to fulfill this compliance in a weeks time as the system will restore and able to pay penalty without delay if SECP instruct banks to unblock our all bank accounts or even one and NCCPL release our payment from regular exposure to pay Penalties.

Important and Considerable Note:

As you know this matter is already in Honorable High court of Sindh and the order, which issued on dated June 16, 2017. A copy of this order is attached for your reference as "Annexure E". All clients of SRC filled claim forms before 21st of July 2017 on the instructions of PSX. We request SECP to take lenient view on the said observations. Sunrise Capital is still very serious to continue this brokerage house business and everybody deserve second chance.

Furthermore, It is humbly requested to looked our track record since inception in Terms of: Never involved nor found guilty in Badla Financing which was the main reason of 2005 and 2008 financial disaster. Never avail any financing from any Financial Institution specially Banks to entertain and provide leverage to Clients. Never ever involved or guilty in front running or running a book of other big broker. None of our Clients claimed that we did not opened account but took investment from them.

Dear Brother, This is the very high time for my eighteen years of untouched financial career and for my family as it looked like a game planned against my professional career and eight years of day and night restless efforts for Sunrise capital(Pvt.) Ltd. because of specialty in Research and Clients awareness for better future and strengthen regulator. Non-one is here to solve this matter including my Sponsor, PSX directors and all member community because I might not belongs them. It is requested to take a lenient view about his show cause notice and provide me a one more chance to prove me right and non-compliances were un-intentional and never repeat in future, as it is only a matter of reputation for me.

6. On August 3, 2017, Mr. Muhammad Azam Khan, Chief Executive of the Respondent ("Representative") appeared before me through Videocon from the Commission office located at Karachi. The Representative reiterated the submissions made by the Respondent in writing. On one hand, the Respondent in its written reply and the Representative during the hearing submitted that non-compliances were un-intentional and will not be repeated in future and requested the Commission to take lenient view and provide the Respondent one more chance to correct the things. On other hand, the Representative contended the instances reported in the investigation report and argued that all the requisite ledgers were provided to the investigation team and its books of accounts are properly maintained and showing a true and fair view of the transactions. During the hearing, the inspection team refuted the aforesaid stance taken by the Respondent. The following issues were discussed and stance of investigation team thereon is summarized as under:-

a) The Respondent neither provided the requisite ledgers nor provided the proper accounting and other record. The record provided by the Respondent was insufficient to explain a true and fair view of the transactions undertaken by it.

b) The ledgers of Muhammad Mumtaz Khan and Sunrise Capital (Pvt.) Ltd. were not provided to during the course of investigation.





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- c) The Respondent's stance taken with regard to wrong entries made in the account "*Long Term Loans from directors*" (it received loan from Director) is not correct. The referred entries were actually receipts / payments to PSX / NCCPL rather than pertaining to loan.
- d) In all clients' ledgers of the Respondent, trade identifications (voucher number or any other unique identification numbers) in respect of clients' trades were not mentioned and several types of irrelevant entries were appearing in NCSS contra account.
- e) The NCB of the Respondent was overstated by Rs. 19 million (*certified by the Respondent's auditor i.e. Zahid Jameel & Co*) and in auditor's view it was the responsibility of the Respondent to maintain proper books of accounts, which should depict a true and fair view of the transactions instead of the auditor.
7. After hearing the arguments of the Representative, going through the available record, including written response of the Respondent to the SCN and findings/stance of the investigation team, the following issues have been emerged, which are discussed in detail with my observations and conclusions:-

- (a) Whether the Respondent has provided all the requisite information to the Investigation team or not during the course of their inspection? and
- (b) Was the Respondent maintaining proper books of accounts or not?
- (c) Impact of non-payment of Penalties by the Respondent.

- (a) **The issue of Non-Provision of Information to Investigation team;** It was alleged in the SCN that the Respondent had not provided ledgers of *Muhammad Mumtaz Khan and Sunrise Capital (Pvt.) Limited* to investigation team during the course of investigation. In response the Representative during the hearing contended that complete ledger of Mr. Muhammad Mumtaz Khan was provided to investigation Team. Since no trade was executed in Sunrise Capital (Pvt) Limited, therefore its ledger was not provided to investigation team. In this regard, I have reviewed the record and observed that the Respondent or its Representative has not provided any evidence to substantiate their claim of providing the ledger of Muhammad Mumtaz Khan to the investigation team during the course of investigation. With regard to the contention that "ledger of Sunrise Capital (Pvt) Limited was not provided owing to no trades in the said account are also not tenable as the Respondent is required to provide all the information required by the investigation team under Section 139 of the Act. Furthermore, I have reviewed the trial balance of Sunrise Capital (Pvt) Limited and observed movement of balances in said ledger which also shows that the contentions of the Respondent does not have any merit. Details of balances on different dates are given below.

Particulars	Amount in PKR
As on December 31, 2015	1,242,323 (Dr.)
As on June 30, 2016	10,178,037 (Cr.)
As on December 31, 2016	12,230,981 (Cr.)

Based on above, I am of the view that the Respondent was unable to provide required information to the inspection team during the course of investigation and thus caused hindrance .





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- (b) **The issue of Non-maintenance of proper books of accounts;** it was alleged in the SCN the Respondent failed to keep proper books of accounts based on several instances. My observations on each of the instance are as under:-
- (i) With regard to the observation that the Respondent made payments to NCCPL/PSX but the entry was recorded wrongly in ledger account namely "Long Term Loans from Directors", it has been observed that the Respondent failed to submit any reply on the said observation explicitly. Further, the Respondent explained that it was loan account. Infact, the referred instances were receipts / payments from/to PSX / NCCPL. Therefore, I am convinced that recording of the receipts / payments in ledger account of *Long Term Loans from Directors* was incorrect.
 - (ii) *With regard to the observation of absence of trade identification, non-availability of unique references to transactions (i.e. voucher no., transaction ID etc.) in all clients' ledgers. After reviewing the record contentions made by the Respondent, I am of the view that the Respondent has failed to produce the ledgers, encompassing the unique references.*
 - (iii) *With regard to the absence of original entry in Books of Accounts and recording of entries on net basis (only capital/ (Loss) into its books of accounts), the Respondent did not reply explicitly. The Respondent stance that annual reports issued by the auditors (whom selected from the approved list of PSX) is not acceptable as the same has no relevance with the issue, as it is responsibility of the Respondent.*
 - (iv) *Wrong and irrelevant record of entries /transactions in NCSS contra account/ Existence of omnibus account, The Respondent has admitted in its stance that some posting errors occurred but assured to rectify in the shortest time.*
 - (v) *Difference in NCB audited by two different auditors and huge overstatement of NCB by Rs. 19.15 million by the Respondent, The Respondent's contention that the auditor issued the report and the auditor should be responsible to answer the said differences is not tenable. The Respondent is sole beneficiary of the NCB and availed the exposure based on it. Therefore, the issuance of auditor certificate does not absolve the Respondent from its responsibilities of maintaining proper books of accounts that provide a true and fair view of the transactions.*

In view of the above, I am of the view that the Respondent has failed to maintain proper books of accounts.

- (c) **Non Payment of Penalties by the Respondent:** The Respondent's failure to pay the penalties imposed by the Commission vide order dated January 12, 2017 and April 18, 2017, a separate procedure under section 162 of the Act is available for recovery of penalty from the Respondent. Therefore, proceeding under this SCN is dropped.

8. Based on the foregoing, I am of the view that the Respondent has failed to cooperate with the investigators of the Commission, as it did not provide complete required information to the investigation team. Moreover, the Respondent has failed to maintain proper books of accounts, required to be maintained by it to give true and fair view picture of the licensed activity.

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Non-provision of documents to the investigation team during the course of investigation is very serious violations as it has hampered the proceedings of the investigation and undermined the ability of the Investigation Team to ascertain the compliance level of the brokerage house with the regulatory framework completely. Moreover, pursuant to regulatory framework, the Respondent is the custodian of investors' assets and duty bound to keep proper books of accounts to give a true and fair view its record, which the Respondent has failed to do so.

The Respondent's statutory auditor, Zahid Jameel & Co has dis-owned its certification granted to the Respondent for NCB as of June 30, 2016; even another auditor has indicated serious discrepancies and overstatement in said NCB. The said lapses on the part of the Respondent has also raised doubts on the accuracy and completeness of entire accounting record/system of the Respondent, which is a serious threat to the investors' interests.

The aforementioned violations on the part of Respondent are grave in nature and untenable. Therefore, I am of the considered view that the Respondent has contravened section 139(3) (a) of the Act by not providing requisite information to the investigation team and Section 79(1) of the Act by not keeping proper books of accounts and record.

9. Observing the investors' interest that has jeopardized due to non-provision of information to the Investigation Team and failure to keep proper books of accounts; it is pertinent to record the developments that have taken place subsequent to the issuance of Show Cause Notice. On the instructions of Honorable Sindh High Court, PSX has invited claims from the investors of the Respondent. 42 claims worth Rs.92.5 million (*shares claims worth Rs. 63.5 million + credit balance/cash claim Rs. 28.94 million*) against the Respondent have been received to the PSX, which are under the process of verification. However, as per the available record of Central Depository Company of Pakistan Limited ("CDC") as on March 30, 2017, the Respondent has shares of worth Rs. 2.122 million in CDC-sub-accounts of the claimants/clients, which transpires that only 3.3%, shares of the total claimed shares would be available for settlement of share claims and rest of the investors shares are unaccounted for. The non-availability of clients' shares in their accounts in respect of claims has established the fact that the Respondent has not only failed to safeguard the investors' interest as well as failed to maintain proper books of accounts, which show a true and fair view of its affairs.

10. I am of the view that the Order of the Honorable Sindh high Court and subsequent proceedings initiated by the PSX are separate and has no bearing on the SCN in hand. I, therefore, in exercise of the powers conferred under section 150(1) (ii) and 150(2) of the Act hereby cancel the license of the Respondent as Securities broker of the Pakistan Stock Exchange and impose a penalty of Rs. 5,000,000/- (Rupees Five Million only) respectively. With regard to recovery of the penalties imposed, vide Orders dated January 12, 2017 and April 18, 2017 concerned department of the Commission is directed to take up the matter as per prevailing law and procedures. Furthermore, in exercise of the powers conferred under section 12, 31 and 55 of the Act, I hereby direct PSX, CDC, National Clearing Company of Pakistan Limited (NCCPL) to proceed further as per regulatory framework and in the light of this order.

11. The Respondent is further directed to deposit the penalty in the account of the Commission being maintained in the designated branches of Muslim Commercial Limited or United Bank Limited within 15 days of the date of this Order and furnish Original Deposit Challan to this office.

12. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.

(Akif Saeed)
Commissioner (SM)

Announced on: September 14, 2017

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