

"Say No To Corruption"

SMD/SSED/AMCAPE/185/2017

September 13, 2018

Mr. Abdul Rauf Ghani
Chief Executive Officer,
AMCAP Securities (Pvt.) Limited,
Suit No. 303, Siddiq Trade Centre,
Main Boulaverb, Gulberg II,
Lahore

SUB: RESTRICTION ON DEALING WITH PROPERTY UNDER SECTION 142, AND 144 READ WITH SECTION 147 OF THE SECURITIES ACT, 2015

Whereas, M/s. AMCAP Securities (Pvt.) Ltd. ("AMCAP") is a regulated entity licensed (BRP-348) by Securities and Exchange Commission of Pakistan ("the Commission") to undertake the brokerage business at the Pakistan Stock Exchange Ltd (PSX) and is also a TRE Certificate holder of PSX.

2. AND WHEREAS, AMCAP has been on the watch list of the Commission and the PSX since its Joint Inspection highlighted many high severity non-compliances of the applicable regulatory framework. The PSX initially suspended all their trading terminals vide notice dated April 05, 2017. However, PSX restored the sale side transactions vide notice dated April 24, 2017 since no complaints were received. The buy side restriction continued for a period of three (3) months. PSX upon receiving JIT report, imposed a penalty of Rs.460,000/- along with continuation of restriction on opening on new clients' accounts imposed earlier. However, the trading terminals were restored with effect from July 24, 2017, since AMCAP was able to comply with the conditions imposed by PSX and managed to reduce the shortfall and transfer Assets Under Custody to beneficial owners.

3. AND WHEREAS, National Clearing Company of Pakistan Limited ("NCCPL") issued Show Cause Notice dated September 05, 2018 to AMCAP under Chapter 18 of NCCPL Regulations, 2015 with particular reference to clause 18.1.1 (e) relating to operational and financial difficulty on part of a Clearing Member, acting upon letter dated September 3, 2018 from Bank Al-Habib stating that different cheques of large amounts in aggregate of Rs.46.139 million have been issued by AMCAP without having sufficient balance in their bank accounts.

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The aforesaid triggered apprehensions about the financial viability of AMCAP and its ability to settle client balances. NCCPL also withheld the release of any margins and credit balances to AMCAP with effect from September 6, 2018.

4. AND WHEREAS, NCCPL have further informed the Commission that AMCAP has submitted its written response dated September 6, 2018 against the show cause notice wherein it has been contended that the account maintained with the bank is used for payment of operational expenses and the returned cheques are not related to trading activity. AMCAP has yet to provide documentary evidence to support of their submissions.

5. AND WHEREAS, PSX also acting upon the aforesaid information conducted an independent hearing of Chief Executive Officer (CEO) of AMCAP in pursuance of Show Cause Notice under Clause 20.4A.2 of PSX Regulation (Regulations) read with Clause 20.4.1 of the Regulations, dated September 4, 2018 issued by PSX to AMCAP. During the hearing, CEO has informed the PSX that the bounced cheques amounting to Rs.46.039 million related to expenses except two amounting to Rs. 44.34 Million which were issued as guarantee and debt settlement, on behalf major shareholders/sponsor and his family who are in business of real estate development & project management, to Dr. Ayesha Tajammal. Moreover, it was informed that cheque of Rs.1.5Million was issued to Trustee Kaukab Mir Memorial Trust (the Trust) as a payment for debt instalment.

6. AND WHEREAS, Kaukab Mir Memorial Trust (Trust) holds 25.1% of the paid up share capital of AMCAP. During hearing conducted by PSX the CEO of AMCAP also informed that Dr. Ayesha Tajammal is a chairperson of the Trust and both parties also work as their clients.

7. AND WHEREAS, a inspection relating to Clients' Assets Segregation (CAS) was also conducted by PSX on September 5, 2018 and as per preliminary findings a shortfall exists in funds on different dates as mentioned below:

DATES	TRADE PAYABLES	SHORTFALL IN FUNDS	CASH AT BANK	CASH AT BANK
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			CLIENTS' ACCOUNTS	HOUSE ACCOUNTS
	Amount in Rupees			
Jul 31, 2018	2,613,007	1,816,594	120,142	5,516
Aug 8, 2018	3,069,784	2,922,014	23,634	175,793
Aug 28, 2018	4,498,531	4,046,730	20,955	12,337

The shortfall in clients' related bank accounts, prima facie, indicate violation of sub-section (g) of section 74, sub-section (c) of sub-section (1) of section 78 of Securities Act, 2015, sub-clause (2) of clause 23 of Securities Brokers (Licensing and Operations) Regulations, 2016 and clause 4.18.2 of Rule Book of Pakistan Stock Exchange.

8. AND WHEREAS, PSX after providing hearing opportunity to AMCAP and upon receiving unsatisfactory responses, has suspended all trading terminals of AMCAP with immediate effect in exercise of its powers conferred under clause 20.4A.2 of PSX Rule Book vide its notice No. PSX/N-5144 dated September 10, 2018.

9. AND WHEREAS, PSX has also informed the Commission that they have observed misreporting by AMCAP while submitting their Client Assets Segregation Statement under clause 4.18.6 of the Regulations with PSX. Therefore, PSX has serious suspicion in the manner in which the books of accounts of AMCAP are being kept.

10. AND WHEREAS, the insufficient balance may indicate financial precariousness of the Broker, and the inability of the Brokerage House to settle its financial obligations towards its clients. Therefore, it is not remote that investors or customers may be exploited in view of financial precariousness of AMCAP.

11. AND WHEREAS, a follow up inspection has also been initiated by the Oversight Committee under Joint Inspection Regulations, 2015 to further probe the matter in detail.

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12. AND WHEREAS, PSX vide email dated September 12, 2018 has forwarded an email/complaint of Dr. Ayesha Tajammal, ("the Claimant" and client of AMCAP) which was received by PSX on September 11, 2018 in response to confirmation letter dated September 10, 2018 sent to her. The claimant has leveled serious allegations on the CEO of AMCAP and Mr. Khurram Iftikhar, son of late Iftikhar Uddin, sponsor and majority shareholder of AMCAP. The claimant has stated that AMCAP and its management including its CEO Mr. Abdul Rauf Ghani has confiscated her own investment of Rs33 million, Rs.5 million investment of his father Mr. Tajammal Hussain and an investment of Rs150 million of M/s Kaukab ^{Mir} Memorial ^{welfare} Trust run by her father Mr. Tajammal Hussain. The claimant has further complained that Mr. Ghani has transferred the principal amount to his owner Khurram Iftikhar who has allegedly used the investors' money in his projects in Faisalabad namely Abwa Medical College and Maniis commercial project.

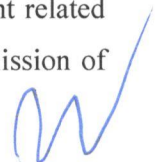
13. The Commission has issued Investigation order dated September 13, 2018 to ascertain the allegations and related matters.

14. AND WHEREAS, aforementioned conduct of AMCAP is detrimental to the interest of the general public and therefore it is imperative to take immediate corrective measures for the smooth and efficient functioning of the market.

15. AND WHEREAS, the Commission under Section 142 read with Section 144 of Securities Act, 2015 is empowered to take reasonable steps whenever it is desirable for the protection of customers or in the public interest to place restriction on dealing with property whether it is the property of a licensed person or not

16. Therefore, in exercise of its power conferred under section 144 of the Securities Act, 2015, with immediate effect and till further order the undersigned restricts and prohibits you from:-

- a. Withdrawal or transfer or movement of any amount from your all bank accounts maintained in the name of AMCAP without prior written permission of PSX;
- b. Disposal or sale or transfer or movement or removal or adjustment of client related assets held by AMCAP in any form or manner without prior written permission of PSX;



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- c. To maintain status quo of the shareholding of AMCAP;
- d. To maintain status quo of the client related all assets held by AMCAP directly or directly
- e. Not to move or remove from your registered or branch office or any other place, the books of accounts including ledgers, data, record and details in soft or hard form whether relating to your own business or relating to the assets of your customers;
- f. Resolve the claims/complaints of the claimants with the full satisfaction of the claimants on immediate basis
- g. Return back or transfer back the money, shares or other property of each claimant
- h. Submit all necessary documentation with PSX relating to settlement of claims

17. AMCAP is further directed to send Balance Confirmations/ledger statements (as per prescribed mode of communication in Account opening form) to all clients and any difference intimated by clients be shared with Oversight Committee in summary form with reasons of difference and action taken thereon by AMCAP within 15 days of this order.

18. PSX will facilitate implementation of all relevant instructions of the Commission.

19. This restriction is being imposed without prejudice to any other action that the Commission may initiate in accordance with law.

20. Through this notice of prohibitions and requirements as specified above, you are hereby directed to comply with the same, and these prohibitions and requirements shall take effect from the date of issuance of this order i.e. September 13, 2018.



(Shaukat Hussain)
Commissioner (SMD)

Copy to:

Pakistan Stock Exchange Ltd. Stock Exchange Building, Stock Exchange Road, Karachi	For appropriate action.
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