



# Securities and Exchange Commission of Pakistan

Securities Market Division

Market Surveillance and Special Initiatives Department

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SMD/MSW/BAHL-Feb/113/2015/1257 1430-1431

March 17<sup>th</sup>, 2015

**The Chief Executive Officer,**  
Pearl Securities Limited,  
Suite # 204, 205, 2<sup>nd</sup> floor,  
Business and Finance Centre,  
Karachi.

**Subject: Warning Letter – Synchronized Trading**

Dear Sir,

This is with reference to our earlier letter dated February 13<sup>th</sup>, 2015 and your subsequent response thereof dated February 27<sup>th</sup>, 2015, regarding the subject mentioned above.

2. In this regard, please note that the justification to undertake buy and sell transactions with certain clients and making a gain on such transactions for the sake of transferring Commission from clients is not found satisfactory. The capital markets provide an investment avenue for trading in shares and should not be used for charging commission to clients as this gives a false assumption of activity within the share and can lead to individuals being misled.

3. The execution of the said transactions imply that your Brokerage House's proprietary account, *prima facie*, has been involved in synchronized trading not only in contradiction of fair market practices but it also created false impression of active trading in the scrip. This act of your brokerage house is not only against the spirit of high standard of integrity but you have also failed in exercising due care, skill and diligence in conduct of business and have indulged in activities that have led to interference with fair and smooth functioning of the market.

4. Keeping in view the fact that this was the first instance observed by the Commission of such trading practices, only a warning is being issued to you with advice to exercise due care and diligence while trading. Moreover, it is asserted that in the future you must adopt a more cautious approach towards trading, failing which appropriate action will be taken against you.

(Abid Hussain)

Director/HoD (MSSID)

Copy to:

1431- (i) Managing Director,  
Karachi Stock Exchange