

**Before the Director (Broker Registration & Investor Complaints Wing)  
Market Supervision & Capital Issues Department  
Securities Market Division  
Securities and Exchange Commission of Pakistan**

**In the matter of Show Cause Notice issued to M/s. Highlink Capital (Private) Limited, Member  
of the Lahore Stock Exchange (G) Limited**

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**Date of Hearing:** May 2, 2012

**Present at the Hearing:**

i). Mr. Junaid Jahangir Authorized Representative of Highlink Capital  
(Pvt.) Ltd.

**Assisting the Director (BR&ICW):**

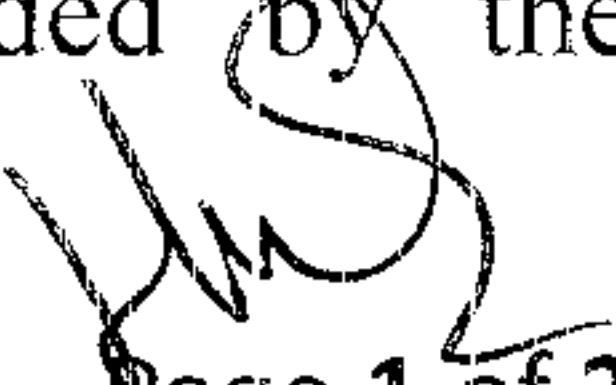
i). Ms. Asima Wajid Deputy Director ( BR&ICW)

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**ORDER**

This Order shall dispose of the proceedings initiated through Show Cause Notice (“SCN”) No. (BRL-138)/SE/SMD/2006 dated April 18, 2012 issued to M/s. Highlink Capital (Private) Limited (“**the Respondent**”) under Rule 8 of the Brokers and Agents Registration Rules 2001 (“**the Rules**”).

2. Brief facts of the case are that the Respondent is a member of the Lahore Stock Exchange (G) Ltd. (“**the LSE**”) and is registered with the Securities & Exchange Commission of Pakistan (“**the Commission**”) as a broker under the Rules. The Commission received complaints from Mrs. Kishwar Shah and Ms. Zill-e-Huma Shah (“**the Complainants**”) alleging that credit balances available in their accounts with the Respondent have not been paid to them despite their repeated requests. While examining the complaints it was observed that the Complainants had provided letters of authorization (“**Authority Letters**”) to the Respondent whereby they authorized Mr. Gul Hasan Shah (“**Authorized Person**”) to trade into their accounts on their behalf. On further examination of the complaints, it came to the notice of the Commission that the Respondent issued cheques in favor of the Authorized Person to offset its liability towards the Complainants without any approval from them. The Respondent vide Commission’s letter dated March 22, 2012, was advised to explain the reason for issuing the cheques in favor of the Authorized Person instead of the Complainants. In response to the above, the Respondent intimated that the cheques were issued in the name of the Authorized Person in accordance with clause 4 of the Authority Letters provided by the Complainants along with the account opening forms.

  
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3. While examining the Authority Letters it was revealed that the Authorized Person was only authorized to receive A/C Payee Cheque (issued only in the names of the Complainants) from the Respondent and to make payments on behalf of the Complainants in cash or through cheques. Therefore, the SCN under Rule 8 of the Rules was served to the Respondent for violation of Clause A of the Brokers Code of Conduct annexed as Third Schedule to the Rules and accordingly a hearing opportunity was provided to the Respondent on May 2, 2012.

4. During the course of hearing, the Authorized Representative of the Respondent admitted that the Respondent in order to clear its liabilities towards the Complainants issued cheques in the name of the Authorized Person on the assumption that the Complainants would not object to payments being made to their blood relation who was fully authorized to act on their behalf. However, keeping in view the provision of clause 4 of the Authority Letters signed by the Complainants, the Respondent admitted its inadvertent error and in order to settle the claims, the Respondent stated that it has again issued cheques no. RP-0798382 and RP-0798383 dated April 30, 2012 in the name of the respective Complainants, equivalent to the disputed amount. The Respondent also submitted copies of the cheques and courier dispatch receipts in support of its assertion. Moreover, the Respondent submitted that the error was neither deliberate nor willful, the error was human and the actions of the Respondent were *bona fide* at all times. The Respondent further stated that it strives to maintain high level of integrity, promptitude and fairness in the conduct of its business.

5. In view of the forgoing and considering that the claims have been settled, it appears from the statements and conduct of the Respondent that omission was not a willful or deliberate. I am of the view that the act of the Respondent was an error and mistake emanating from misreading of the provision of the Authority Letters in light of some certain peculiar facts i.e. involvement of blood relations. Therefore, a lenient view in this regard is taken and the SCN is hereby withdrawn.

  
Hasnat Ahmad  
Director (BR&ICW)

**Announced on May 30, 2012  
Islamabad.**

