By T.C.S
RUSH DELIVERY

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division

No. SM/KSE-C/Misc./2009 June 26, 2009

Mr. Abdul Samad Ladha,
Chief Executive Officer,
M/s. Eastern Capital Limited,
610-611, Block-5,
Clifton Centre,
Karachi-

M/s. Eastern Capital Limited,
Through its Chief Executive Officer,
610-611, Block-5,
Clifton Centre,
Karachi-

Subject: **ORDER IN THE MATTER OF NOTICE DATED JUNE 19, 2009 ISSUED TO EASTERN CAPITAL LIMITED, MEMBER KARACHI STOCK EXCHANGE.**

Dear Sir,

Please find enclosed herewith copy of order dated June 26, 2009 issued under Brokers and Agents Registration Rules 2001 and other applicable laws.

Yours truly,

(Tahir Mehmood Kiyani)
Deputy Director (ICW)

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

BEFORE THE DIRECTOR (SECURITIES MARKET DIVISION)

IN THE MATTER OF NOTICE DATED JUNE 19, 2009 ISSUED TO EASTERN CAPITAL LIMITED, MEMBER KARACHI STOCK EXCHANGE ("KSE")

Date of Hearing :	June 25, 2009
Present at the Hearing:	
Authorized Representative of Eastern Capital Limited:	Mr. Rasheed Ahmed, Director, Eastern Capital Limited
Karachi Stock Exchange (G) Limited	Mr. Abbas Mirza Deputy General Manager-Operations
Assisting the Director (SM):	Mr. Tahir Mahmood Kiani- Deputy Director (SM) Ms. Najia Ubaid- Assistant Director (SM) Mr. Ibrahim Ahmad Mian – AD (Law)

ORDER

1. This matter arises out of the Notice No. SM/KSE-C/Misc./2009 dated June 19, 2009 issued to Eastern Capital Limited ("the Respondent") – Member, Karachi Stock Exchange ("KSE") by the Securities and Exchange Commission of Pakistan (the "Commission") under the Brokers and Agents Registration Rules 2001 ("the Rules") and other applicable laws.

2. Brief facts of the case are that the Respondent a Member of KSE is a broker registered with the Commission under the Rules. Over the past eight months the Commission received 72 (seventy two) investors' complaints/ claims against the Respondent out of which 54 (fifty four) complaints/claims are still outstanding. Majority

of these complaints/claims pertain to the alleged non-transfer of shares to/from the complainants' CDC Accounts and non-payment of funds, which have been attributed to the unauthorized pledge/ transfer of securities by the Respondent. In addition to the complaints filed with the Commission, the KSE also reported a substantial number of investor complaints/ claims filed against the Respondent during the said period.

3. In view of the above investors' complaints/claims, the Commission through its various letters including letters dated December 3, 2008, January 21, 2009, January 29, 2009, February 11, 2009, February19, 2009, February 24, 2009, March 12, 2009 and April 29, 2009 advised the Respondent to expedite resolution of its pending investor complaints/ claims and immediately transfer the shares as mentioned in the complaints against the Respondent to the respective CDC account of the complainants, under intimation to the Commission.

4. In addition to the above correspondence, the Commission vide its letter dated April 16, 2009 advised the Respondent to furnish a detailed response with respect to the current status and action taken, if any, for the resolution of said investor complaints.

5. Taking into consideration that no concrete steps were taken by the Respondent for resolution of pending investor complaints/ claims and the Respondent's failure to communicate any progress made in this context, the Commission, vide its letter of June 04, 2009 scheduled a meeting with Chairman of the Respondent at 11.00 a.m. on June 10, 2009 at the Commission Headquarters in Islamabad. However, in response, the Respondent vide its letter dated June 8, 2009 (received in the Commission's office on the date of hearing) signed by its Company Secretary conveyed the inability of their Chairman to attend the said scheduled meeting due to his non-availability.

6. In view of the non-transfer of shares despite repeated requests of the Respondent's clients and the Commission as well as inadequate response to various letters of the Commission as detailed above, the Commission, in exercise of its powers conferred under the Rules issued a Notice bearing Number SM/KSE-C/Misc./2009 dated

June 19, 2009 to the Respondent for *prima facie*, violation of Rule 4 and Rule 12 of the Rules. The Respondent was given an opportunity of hearing before the Director (SM) on June 25, 2009.

7. The Respondent, in reply to the Notice issued by the Commission vide its letter dated June 23, 2009 contended that the problems being faced by the respondent were direct result of the last year's development in the capital markets which included lack or delay in injection of liquidity by the Government in the market and the placement of floor by KSE. It was further contended that certain number of investors' complaints were already resolved by the Respondent with due intimation to the KSE and the Commission. With regard to the Commission's notice scheduling a meeting with the Respondent on June 10, 2009 it was contended that timely intimation was given to the Commission regarding the non-availability of the Respondent's Chairman to attend the same.

8. The hearing held on June 25, 2009 was attended by a representative of the Respondent authorized to appear on behalf of the Respondent vide Board Resolution dated June 22, 2009. The said authorized representative through a written statement admitted that the Respondent had delivered a letter dated June 22, 2009 to all its investors who had filed complaints/ claims against the Respondent wherein they were informed that, as a result of the client/ investor complaints filed against the Respondent, the KSE and SECP had decided to terminate the Respondent's membership from the KSE which would lead to recovery of only 17% of their investment and that too over a period of 6-12 months. The complainants/ claimants vide the said letter of the Respondent were intimated that they could secure 100% of their investment made with the Respondent, upon withdrawal of all their complaints/ claims lodged with the Commission and KSE; and in return they would be issued shares of ECL which would soon be listed on the stock exchange. The statement also contained admissions that the Respondent had only Rs. 2-3 million which could be utilized for resolution of complaints whereas securities and assets valuing approximately Rs. 200-300 million are pledged with banks which included shares of all its clients. The Respondent's authorized representative through the said statement also accepted that unresolved complaints/ claims valuing Rs. 20-30 million

are pending from October 2008 till date whereas the Respondent has only been able to settle claims valuing approximately Rs. 2.3 million.

9. The authorized representative also admitted that at present the company is not in a position to settle all the undisputed pending complaints. Further, nothing was brought on record to prove that liquidity will be or has been injected in the Respondent. The authorized representative of the Respondent further deposed that no investment and business plan is underway and neither is any contract in sight which could enhance the credit worthiness of the Respondent.

10. Having heard the verbal assertions and reviewing the evidence available on record along with the written submissions made by the authorized representative of the Respondent, I am of the considered opinion that the Respondent has not only failed to resolve the outstanding investor complaints/claims but also attempted to deceitfully persuade its innocent investors to withdraw their complaints/ claims, filed with the Commission and KSE by making false/ misleading statements against the Apex and frontline Regulator. Such statements are an attempt to undermine the role of the Commission by sabotaging its efforts to resolve investors' complaints in the interest of the investors and that of the capital markets. Moreover, the authorized representative of the Respondent admitted in writing during the hearing that the Respondent has without authorization pledged the securities of the investors with the financial institutions. This conduct of the Respondent is in clear violation of Rule 12 of the Rules which makes it mandatory upon a broker holding certificate of registration under the Rules to abide by the Code of Conduct strictly and maintain high standards of integrity, promptitude and fairness in the conduct of all his business as stipulated in the said Rules.

11. During the hearing the authorized representative of the Respondent also admitted his failure to abide by the arbitration award passed on May 21, 2009 by KSE in a complaint filed against the Respondent. This non compliance with the arbitration award defeats the very purpose of the registration of the Respondent and his eligibility as a broker under the Rules which requires the applicant not to be in default on settlement of

an investor complaint where such complaint has been adjudicated by a stock exchange or the Commission.

12. In view of the foregoing, and the failure of the Respondent to resolve long outstanding investors' claims/complaint despite repeated directions by the Commission and lack of accurate information furnished by the Respondent to assess the exact quantum of investors' complaints /claim, I am of the considered opinion that the Respondent has clearly neglected and failed to comply with the requirement of Rule 4 and Rule 12 of the Rules and various instructions issued by the Commission from time to time. The violation of Rules and Regulations and non compliance with the instructions of the Commission is a serious matter and warrants stern action. Also the continuation of Respondent in the securities business is not in the interest of investors. Therefore, in the public interest, for the protection of investors and to preserve capital market integrity, in exercise of powers conferred by Rule 8 of the Brokers and Agents Registration Rules, 2001, I hereby order the suspension of registration of the Respondent till claims against the Respondent in light of the investors complaints can be ascertained and settled, in accordance with law. The Respondent's failure to settle the claims may result in cancellation of the registration as provided in the Rules.

13. This order is being issued without prejudice to any other actions which may be taken against the Respondent under law for the above stated violations or any other violations/contraventions which may come to light subsequently.

(HIZBULLAH SIDDIQUI)
Director (SMD)

Islamabad,

June 26, 2009