

# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

SECURITIES MARKET DIVISION

Market Supervision & Capital Issues Department  
Brokers Registration & Investor Complaints Wing

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## Before the Director (BR&ICW)

### In the matter of Renewal of Certificate of Registration of Trust Capital (Pvt.) Ltd. as a Broker under the Brokers and Agents Registration Rules, 2001

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**Date of Hearing:**

April 5, 2012

**Present at the Hearing:**

i). Mr. Abrar Hussain

CEO/ Nominee Director, Trust 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 application of Trust Capital (Private) Limited (“TCPL”) dated November 17, 2011 for renewal of certificate of registration as a broker under Rule 7 of the Brokers and Agents Registration Rules, 2001 (“the Rules”), forwarded to the Securities and Exchange Commission of Pakistan (“Commission”) by the Lahore Stock Exchange (Guarantee) Limited (“LSE”).

2. Detailed scrutiny of the information/documents attached with the application for renewal of certificate of registration as a broker has revealed that the TCPL is a wholly owned subsidiary of Trust Investment Bank Ltd. (“TIBL”) and that the TCPL has reported change in its shareholding structure and accordingly filed returns i.e. “Form A” made up to October 24, 2011, with the Company Registration Office of the Commission at Lahore and also attached the same along with the application under consideration.

3. It has also come to the notice of this office that the TIBL on June 25, 2011 filed an application with the Specialized Companies Division of the Commission (“the Competent Authority”) for approval of sale of its shareholding in the TCPL to the Commodity Transportation Company (Pvt.) Ltd. (“CTCPL”) as required under clause (c), sub-rule (2)



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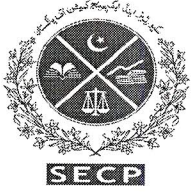
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of Rule 7 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (“NBFC Rules”) and the same was refused by the Competent Authority on March 12, 2012.

4. From the above, it is evident that at the time of filing of TCPL’s application for renewal of certificate of registration as a broker under the Rules, where the TCPL had attached Form A evidencing change in its shareholding, the application of the TIBL for transfer of shareholding of TCPL to CTCPL was in process and no approval in this regard was granted by the Competent Authority and subsequently the same was refused on March 12, 2012. In view thereof, the TCPL vide letter dated February 29, 2012 was afforded an opportunity to explain in writing as to how the TCPL has recorded change in the register of members in absence of approval from the Competent Authority. In response to the same the TCPL vide letter dated March 8, 2012 intimated the Commission that TIBL had filed an application for sale of TCPL with the Competent Authority and accordingly provided all the information/documents as solicited by the Competent Authority, however, it has not received any response (i.e. either approval or refusal to the sale transaction of TCPL) from the Competent Authority.

5. *Prima facie*, it appeared that TCPL furnished information along with its application for renewal of certificate of registration which it had reasonable cause to believe to be false and incorrect. In furtherance thereof, an opportunity of hearing was provided to the TCPL in terms of Rule 5 of the Rules read with sub-section (3) of Section 22 of the Securities and Exchange Commission of Pakistan Act, 1997. The Chief Executive of TCPL was advised to appear in person or through an authorized representative on April 5, 2012 along with all relevant record in original.

6. During the course of hearing, the authorized representative of TCPL argued that in accordance with NBFC Rules only TIBL (being a seller) was required to obtain the approval for sale/transfer of shareholding of TCPL from the Competent Authority and the TCPL has reported to the Commission as conveyed by TIBL. The change in shareholding of TCPL was reported to the Commission on finalizing the sale/purchase deal between TIBL & CTCPL and after making the payments to TIBL by CTCPL accordingly. The representative of the TCPL further stated that TCPL was not aware of the pendency of the TIBL’s application for sale of TCPL shareholding to CTCPL with the Competent Authority. Therefore, the change in shareholding reported by TCPL for the purpose of renewal of its registration as a broker under the Rules may not be considered as false and incorrect.



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7. I have examined the application under consideration along with the written reply and verbal submission made on behalf of TCPL. After due consideration, I do not find any merit in the arguments of TCPL. It is settled law that ignorance of law is no excuse. TCPL before recording the change in its register of members and subsequently reporting the same to the Company Registration office Lahore through "Form A" should have known the requirement of NBFC Rules regarding prior approval of the Commission before divestment by a shareholder which is a Non-Banking and Finance Company, which is also the holding company of TCPL. Further, during the hearing the authorized representative of TCPL submitted the sale of shares agreement made between TIBL and CTCPL, the perusal of which transpires that shares of TCPL were to be transferred on the payment of down payment by CTCPL and thereafter TIBL will submit the resignations of its nominated directors on the board of TCPL and hand over the physical possession of all identifiable assets to CTCPL. This implies that at the time of signing of the above referred agreement, TIBL and TCPL were associated companies in terms of section 2 (1) (2) of the Companies Ordinance 1984, and also had one common director, therefore, the argument of TCPL to this effect is untenable. In absence of any approval by the Competent Authority, TCPL should not have recorded change in its register of members, filed Form A and provided information along with the application for renewal of certificate of registration which it had reasonable cause to believe to be false and incorrect.

8. Further, since the application filed by TIBL for sale of TCPL shares to CTCPL under the NBFC Rules has been refused by the Competent Authority, it is clear that the sale/transfer of shareholding of TCPL as reported to the Commission is unauthorized. Further, it is established that TCPL in its application for renewal of certificate of registration has provided information which it had reasonable cause to believe to be false and incorrect which is a violation of the Ordinance. In view thereof, I am of a considered view that applicant fails to fulfill the eligibility requirements for renewal of the certificate of registration and the renewal of certificate of registration of TCPL is also not in the interest of investors and the stock market. Therefore, the application of the TCPL for renewal of certificate of registration as a broker under the Rules is hereby refused.

  
Hasnat Ahmad  
Director (BR&ICW)

**Announced on April 18, 2012  
Islamabad.**

