

BEFORE THE DIRECTOR (MARKET SUPERVISION & CAPITAL ISSUE DEPARTMENT)

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IN THE MATTER OF SHOW CAUSE NOTICE UNDER RULE 8 OF THE BROKERS AND AGENTS
REGISTRATION RULES, 2001

Date of Hearing	August 4, 2011
<u>Present at the Hearing</u>	
Representative of First National Equities Limited	Mr. Ali A. Malik CEO
Assisting the Director (MSCID)	Ms. Saima Shafi Rana Deputy Director

ORDER

This order shall dispose of the Show Cause Notice dated July 29, 2011 issued under Rule 8 of the Brokers and Agents Registration Rules, 2001 (the 'Rules') 2011 to M/s First National Equities Limited ('FNEL').

The scrutiny of the application for renewal of certificate of registration of FNEL for the year 2011, revealed that the company was operating with negative equity for the last two years; and the auditors of the company expressed doubts on FNEL's ability to continue as a going concern. Moreover, a number of investors' complaints mainly relating to non transfer of shares and funds were also received against FNEL.

2. Considering the factors stated above, a hearing opportunity was provided to FNEL in terms of sub rule 4 of Rule 5 of the Rules on March 22, 2011 to explain why its application for renewal should be accepted in light of its prima facie deteriorating financial position, subsequent to which and based on further assurances provided by FNEL, the Commission accorded conditional approval for renewal of Certificate of Registration ("the Approval") to FNEL w.e.f March 26, 2011 under Rule 7 of the Rules with the condition that FNEL would inject additional funds/capital into the company by the end of June 2011.



3. However, despite lapse of considerable time and several written and verbal reminders, FNEL did not demonstrate compliance with the condition of the Approval within stipulated time. Therefore, another opportunity was provided to FNEL to appear and argue as to why the actions in terms of Rule 8 of the Rules may not be initiated against FNEL. 666

4. The hearing was duly attended by Mr. Ali A. Malik, who intimated that FNEL has submitted an application to the Commission vide letter dated July 6, 2011, seeking approval for issuance of 80.50 million shares at 75% discount by way of right shares under section 84(2) of the Companies Ordinance, 1984. Mr. Malik further assured his commitment towards meeting the conditions of the Approval and requested to the Commission for extension in time to comply with the said condition. He also undertook to resolve all the outstanding complaints.

5. The facts of the matter along with submissions of Mr. Malik were duly considered and FNEL was provided couple of weeks to resolve all the issues regarding right issue or to come up with the alternate plan for injection of additional funds. Thereafter, the Commission vide its letter dated August 11, 2011 approved the above mentioned right issue, which also included a tentative plan for the right issue.

6. The facts of the case were deliberated at length and serious note has been taken of the fact that the condition of the Approval has not been complied with in a timely manner uptil now. However, keeping in mind the latest development in this situation with respect to the Commission's permission to FNEL for right issue, and considering that progress in the matter has been initiated, the date of compliance with the condition of the Approval is accordingly extended till 31st October, 2011. It should also be noted that any further non-compliance beyond this date will be taken seriously; and would render FNEL liable to appropriate action under the relevant laws being initiated against it.


Hasnat Ahmad
Director (MSCID)

Announced on September 16, 2011

