



Through Courier

Before The Director/HOD (MSSID)  
In the matter of Show Cause Notice issued to  
MRA Securities (Private) Limited  
Under Section 22 of the Securities and Exchange Ordinance

---

Date of Hearing:

January 27, 2015

Present at the Hearings:

Representing MRA Securities (Pvt.) Limited

i) Mr. Mirza M. Baig

Manager, MRA Securities (Pvt) Limited

ii) Mr. Kamran

Head of Compliance, MRA Securities (Pvt) Limited

Assisting the Director/ HOD (MSSID)

i) Mr. Mirza Shoaib Baig

Deputy Director, MSSID

**ORDER**

---

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. SMD/ MSW/SSOIL/ 91/ 2014 dated January 13, 2015 ("SCN") issued by Securities and Exchange Commission of Pakistan ("the Commission") under Section 22 of the Securities and Exchange Ordinance, 1969 ("the Ordinance") to MRA Securities ( Private) Limited, ("the Respondent").
2. The brief facts of the case are that during the ongoing surveillance of KSE, the Respondent was requested vide Commission's letter dated December 3, 2014 to provide a copy of Standard Account Opening Form ("SOAF") of client bearing the client code "201024". The Respondent vide letter dated December 12, 2014 provided the requisite document.
3. During the examination of SOAF, following observations were made:
  - The date of opening of account was not filled.
  - Client's trading account and CDC account numbers were missing.
  - Particulars of nominee were not filled.
  - The SOAF was not witnessed by two individuals along with CNIC numbers and signatures.
  - Authorization letter was signed without name and details of person authorized to



**Securities and Exchange Commission of Pakistan**  
**Securities Market Division**  
Market Surveillance and Special Initiative Department

Continuation sheet -1-

operate the account was missing.

- The KYC/ CDD form was blank and bears only signature of the client.
- Copy of CNIC of the client was not attested as required under KSE Regulations.

4. The SCN was issued to the Respondent to explain through written reply along with documentary proof within 07 days from the date of the SCN, as to why action may not be taken in pursuance of Rule 8 of the Brokers and Agents Registration Rules, 2001 ("Brokers Rules") and Section 22 of the Ordinance. The Respondent was also required to appear in person or through an authorized representative, at Commission's Office at 5th Floor, State Life Building # 2, Wallace Road, Karachi on Tuesday, January 27, 2015 at 11.00 a.m .

5. The Commission received reply of the SCN from the Respondent dated January 27, 2015. The important contentions raised in the response is reproduced hereunder:

*"We would like to mention here that our record room situated at Saima Trade Tower Branch. During the renovation of our branch some documents have fallen down from filing cabinet in cemented water, therefore, only some SAOF are disfigured. However, we have sent the fresh SAOFs to the concerned clients for refilling. Unfortunately, the client bearing client code "201024" returned fresh form just after signed. Meanwhile, as per instructions we have presented the copy of SAOF of our client bearing code no. 201024 which was examined by the commission, however, we have transfer the readable information to the require fresh form.*

*Further, we are requesting our client on daily basis to fill fresh SOAF properly in their own hand writing. Also we are inducting all relevant data of every client in back office computer system for safe side.*

*We have no doubt that Rules and Regulations are always in the interest of investor as well as brokerage hose for the smooth business activities. However, we assure you to take care in future."*

Hearing in the matter was conducted on January 27, 2015. The hearing was attended by Mr. Mirza M. Baig, Manager and Mr. Khurram, Head of Compliance as authorized representatives of the Respondent who submitted the same stance during the hearing, which was submitted vide letter dated January 27, 2015. I asked the Respondent to present the damaged SOAF as evidence in support of their assertion that it was damaged during renovation of Office. However, the representatives of the Respondent failed to provide any document during the hearing to substantiate their stance.

SECURITIES & EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division – Market Surveillance and Special Initiative Department  
NIC Building, 63 Jinnah Avenue, Islamabad, Pakistan



*Securities and Exchange Commission of Pakistan*  
*Securities Market Division*  
*Market Surveillance and Special Initiative Department*

*Continuation sheet -2-*

6. I have thoroughly perused facts of the case and the submissions by the Respondent during the hearing. Additionally, I have perused the record and the written reply filed by the Respondent. It is the responsibility of the Respondent to maintain complete and accurate information of its clients at all times. The reason extended by the Respondent that SOAF of client bearing client code 201024 were disfigured during renovation of its office is not tenable. Furthermore, the fact that client has just returned the fresh signed SOAF which the Respondent forwarded to the Commission is also not valid. It is responsibility of the Respondent to ensure that SOAF is duly filled and all applicable information is up to date and accurate.

7. It has been observed that basic requirements of any SOAF like the date of opening of account, client's trading account number and CDC account number were found missing. Similarly, particulars of nominee were not filled and the SOAF was not witnessed by two individuals along with CNIC numbers and signatures. One particularly disturbing observation has been that the Authorization letter annexed with SOAF was signed by the client without the name and details of person authorized to operate the account. Furthermore, the KYC/ CDD form was blank but signed by the client indicating absence of any KYC/CDD process followed by the Respondent at the time of opening of the account. Similarly, a straight forward requirement of KSE Regulations to have an attested copy of CNIC of the client was not complied with.

8. The practices adopted by the Respondent in the instant matter create doubts regarding the business conduct of the Respondent. It is pertinent to mention here that in order to protect the interest of the investors and to strengthen the capital markets, the law imposes obligation on the market intermediaries to adhere to and comply with all the rules and regulations framed under the Ordinance. It is important to highlight that money laundering and financing of criminal activities is a very serious offense and the brokerage community must always remain vigilant that their good offices are not used for any such activity. This is important for the growth and development of individual brokerage houses and the securities industry in Pakistan.

9. It is a basic tenet of any business to know who its customers are, to protect yourself from being

SECURITIES & EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division – Market Surveillance and Special Initiative Department  
NIC Building, 63 Jinnah Avenue, Islamabad, Pakistan



**Securities and Exchange Commission of Pakistan**  
**Securities Market Division**  
*Market Surveillance and Special Initiative Department*

*Continuation sheet -3-*

used by unscrupulous and/or criminal elements. In this regard, brokers have to take all reasonable care to establish the true identity of customers. In this regard SOAF is the key requirement to document the identity of client and governs the relationship of client and the broker. It is therefore essential that SOAF must be duly filled with utmost accuracy and no applicable section must be incomplete. To be prudent, brokers should also obtain any other document further than the prescribed documents from the account opener if they believe it will help in establishing the true identity of the customer and the real controlling person behind the account.

10. The key point is that brokers must not open anonymous or obviously fictitious accounts. It is important to recognize if a customer is acting on behalf of another person. The identity of the person who is becoming the client of the broker should be ascertained and relevant documents of that person must be obtained.

11. From the above, it is established that the Respondent failed to exercise due care, skill and diligence in the conduct of its business. It is disappointing to note that the Respondent allowed a client to open account and trade in the market whose complete particulars were not obtained. The Respondent has failed to abide by applicable rules and regulations by violating the Clause A (2) of Code of Conduct set forth under the Third Schedule of the Broker Rules which in turn is a violation of Rule 12 read with Rule 8 of the Brokers Rules.

12. The violation of the Rules and Regulations is a serious matter which entitles the Commission to even suspend the Respondent's registration but I have opted not to exercise this power at present. However, in exercise of the power under section 22 of the Ordinance, I hereby impose a penalty of 100,000/- (Rupees One Hundred Thousand Only) on the Respondent. I direct the Respondent to ensure that full compliance be made of all rules, regulations and directives of the Commission in the future for avoiding any punitive action under the law.

13. The Respondent is directed to deposit the fine in the account of the Commission being maintained in the designated branches of MCB Bank Limited not later than thirty 30 days from date of this Order and furnish the copy of the deposit challan to the Commission.

SECURITIES & EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division – Market Surveillance and Special Initiative Department  
NIC Building, 63 Jinnah Avenue, Islamabad, Pakistan



**Securities and Exchange Commission of Pakistan**  
**Securities Market Division**  
*Market Surveillance and Special Initiative Department*

*Continuation sheet -4-*

14. Moreover, the Respondent is also directed to complete SOAFs of all existing Account Holders within 3 months from the date of issue of this Order and report the same to the Commission failing which necessary proceedings shall be initiated against the Respondent.

15. This Order is issued without prejudice to any other action that the Commission may initiate against the Company in accordance with law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

**Abid Hussain**  
Director/HOD (MSSID)

**Announced on February 12, 2015,**  
**Islamabad.**