



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division

Before the Commissioner (SMD)

In the matter of Show Cause Notice issued Section 22 of the Securities and Exchange Ordinance, 1969,
to Mr. Asif Ibrahim a Director of Zillion Capital Securities (Pvt.) Limited

Date of Hearing:

August 20, 2015

Present at Hearing:

Representing the Respondent:

Mr. Mansoor Ali, Ghanghro,
Advocate High Court

Representing the Department

Mr. Muhammad Umar
Assistant Director

Assisting the Commissioner (SMD)

Mr. Muhammad Farooq,
Joint Director, SECP

Order

This Order will dispose of the proceedings initiated under Section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**") by the Securities and Exchange Commission of Pakistan ("**Commission**") through Show Cause Notice No. SMD/MSW/A1/118/2015 dated 13/02/2015 ("**Notice**") against Mr. Asif Ibrahim, Director ("**Respondent**") Zillion Capital Services Limited (ZCS Limited).

2. The facts of the matter leading up to aforesaid Notice are that:-

- a) ZCS Limited is a Trading Right Entitlement Certificate Holder of Karachi Stock Exchange Limited ("**KSE**") and registered as a broker with the Securities and Exchange Commission of Pakistan ("**Commission**") under the Brokers and Agents Registration Rules, 2001.
- b) The Respondent as per record of the Commission is director in two brokerage houses namely the Spectrum Securities (Pvt.) Limited and ZCS Limited. Besides, he allegedly is working as Managing Director of ZCS Limited.
- c) Pursuant to Commission's directive vide letter No. F. 13/SMD/SECP/2005 dated September 23, 2005 and further clarification circulated through letter No. SMD/ESE/(2(182)12008 dated March 06, 2012, Chief Executive/Managing Director ("with whatever name called") and Nominee Director of any brokerage house can only trade through the brokerage house which he/she is associated with in the said capacity. Furthermore, immediate family





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members (spouse, children, siblings and parents) of CEO/MD and Nominee Director of a brokerage house may only trade through the brokerage house which the CEO/MD and Nominee Director is associated with.

- d) On perusal of KATS's market data, it was observed that the Respondent has been trading through an account maintained with M. Munir Khanani Securities (Pvt.) Ltd (the "MMK Securities"). The following transaction's history was observed in aforesaid account of the Respondent:-

Period	No. of Trades	Volume of Trade	No. of Scripts
01/01/2014 to 31/12/2014	1,154	5,225,100	32
01/01/2014 to 11/02/2015	1,369	8,256,900	18

3. In pursuance of the above-mentioned Directive of the Commission, the Respondent was supposed to trade only through ZCS Limited, but, he apparently in violation of the said Directive traded through MMK Securities. The aforesaid contravention *prima facie* attracts penal provision of Section 22 of the Securities and Exchange Ordinance.

4. The Commission took cognizance of the aforesaid contravention and issued Notice to the Respondent under Section 22 of the Securities and Exchange Ordinance, 169 calling upon it to explain through written reply alongwith documentary evidence, if any, as to why action may not be taken against him pursuant to Section 22 of the Ordinance, for aforesaid contravention of Commission's directive. The Respondent vide letter dated 22/02/2015 responded the Notice.

5. Furthermore, in order to provide an opportunity of being heard in person, hearing in the matter was fixed on 27/02/2015 at the Commission's Regional Office, Karachi, which was later on adjourned. Meanwhile, owing to internal administrative arrangements of the Commission, the instant case along with some other pending adjudication matters (wherein notices were issued by Supervision and Surveillance Department of Securities Market Division) was passed on to the undersigned. In order to conclude the proceedings, the matter was scheduled for personal hearing on July 13, 2015 which on the request of the Respondent was adjourned and rescheduled for August 20, 2015. On the given date Mr. Mansoor Ali Ghanghro, Advocate High Court ("Authorized Representative") appeared through video link on behalf of the Respondent and pleaded that the Respondent did not commit violation of the under reference Directive of the Commission. The arguments extended in favour of the plea during the course of hearing were subsequently filed in writing vide letter dated August 24, 2015. The submission submitted in writing as well as verbally by the Authorized Representative be summarized as under:-

- a) *The Respondent was never associated with ZCS Limited in the capacity of Managing Director/Chief Executive.*
- b) *In accordance with the Articles of Association of ZCS Limited only position of Chief Executive exists.*





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- c) *The Chief Executive of ZCS Limited, as evidenced by the yearly Form A is Mr. Imtiaz Ibrahim, while, the Respondent has constantly been referred to and acknowledged as a "Director.*
- d) *The Respondent did trading in an account with M. Munir Khanani, but on receipt of the Show Cause Notice, he immediately closed the said account.*
- e) *The spirit of the Directive, given the word "may in the operative line, ought not to be taken to mean an absolute restraint. On the contrary, the restraint because of the use of the word "may" is qualified and contingent on the relations and circumstances of the parties involved. If the restraint of trade on the siblings of the Chief Executive is interpreted to be absolute, then in such circumstances, the siblings of any Chief Executive of any brokerage house will not be able to trade or for that matter earn any livelihood, in the event of any dispute.*
- f) *No doubt the Respondent is brother of Mr. Imtiaz Ibrahim, who is CEO of ZCS Limited, but, they are not on best of terms (i.e. there is acrimony and hostility between the two).*
- g) *Karachi Stock Exchange limited through Notice No. KSE / N-3143 dated 12 June 2015 has sought comments on the proposed amendment to Chapter 4 of KSE Regulations "Trade Rights Entitlement Certificate relating to Disclosure Requirements for Directors and Shareholders Trading Through Other Brokerage Houses of the Same Exchange'. Pursuant thereto, a disclosure policy allows the Directors, other than CEO / MD) or Nominee Director, of any brokerage house to trade through other brokerage house of the same exchange.*
- h) *The Authorized Representative requested to consider the abovementioned explanation and to withdraw the Notice.*

6. The Representative of the Department rebutted the arguments and stated that letter dated August 12, 2014 (duly signed by Mr. Imtiaz Ibrahim, the Chief Executive of the ZCS Limited) addressed to the Commission, showed that the Respondent is working as Managing Director of ZCS Limited. He further stated that as per Verisys, the Respondent is real brother of the Chief Executive. So being sibling of the CEO of ZCS Limited, the Respondent was also required to trade only through ZCS Limited.

7. I have heard the Authorized Representative of the Respondent and the Department's Representative. In order to arrive at decision, I have also reviewed the Article of Association of the Company and Form-A (made up to October 31, 2013) of the Company. The Part-10 of the Article of the Association of the Company deals with the Management of the Company. This Chapter does not reflect Managing Director as a statutory post. Rather it shows post of Chief Executive as statutory post. The Annual return on Form A, filed by ZCS Limited shows that the Respondent is working as Director, while, Mr. Imtiaz Ibrahim, the brother of the Respondent is working as Chief Executive of ZCS Limited. I have gone through the contents of the letter dated August 12, 2014 addressed to the Commission and duly signed by Mr. Imtiaz Ibrahim, the Chief





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Executive of the ZCS Limited wherein the Respondent was shown as Managing Director of ZCS Limited.

8. I have noticed with concern the contents of the letter dated August 12, 2014 as incorrect information may tantamount to submission of false statement in contravention of the provisions of Section 18 of the SE Ordinance.

9. Based on the available record and documents mentioned above, I am of the view that the Respondent is working as Director in ZCS Limited and not as a Managing Director. The under reference Commission's Directive does not bind a person to trade through brokerage house, with which he is associated as director. However, being brother of CEO of ZCS Limited, the Respondent was supposed to trade only through ZCS Limited in terms of above directive. Considering the above and the facts that the LCI Department of Securities Market Division has affirmed that previously no administrative action has been taken against the Respondent, the Respondent has closed his account with MMK Securities on February 25, 2015, I am taking a lenient view of the matter. The Respondent is advised to ensure compliance with the directives of the Commission and KSE Regulations on the subject matter, in the letter and spirit, in future. Further, with regard to contents of letter dated August 12, 2014, I am also taking a lenient view. The CEO of ZCS Limited is advised to be conscious of his responsibility while signing documents on behalf of the brokerage house.

10. This Order is being issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission.




(Akif Saeed)
Commissioner (SMD)

Islamabad.

Announced on September 10, 2015