



# Securities and Exchange Commission of Pakistan

Securities Market Division  
Public Offering and Regulated Persons Department  
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File No. 1(61) SMD/LCID/KSE-2015 -1846

March 15, 2016

The Chief Executive Officer,  
**Aba Ali Habib Securities (Pvt.) Limited,**  
419, Stock Exchange Building,  
Karachi Stock Exchange Road,  
Karachi.

**Subject: Order in respect of Show Cause Notice dated December 3, 2015 Bearing Number 1(61) SMD/LCID/KSE-2015**

Dear Sir,

Please find enclosed herewith a copy of order in the title matter for your record and necessary action.

Yours truly,

**Muhammad Farooq**  
Additional Director (PRPD)

155no  
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# Securities and Exchange Commission of Pakistan

Securities Market Division  
Licensing and Capital Issue Department

## Before Director/HOD (LCID)

In the matter of Show Cause Notice issued under Section 22 of the Securities and Exchange Ordinance, 1969 to Aba Ali Habib Securities (Private) Limited

### ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(61) SMD/LCID/KSE-2015 dated December 3, 2015 ("**Notice**") served to Aba Ali Habib Securities (Private) Limited ("**Respondent**") by the Securities and Exchange Commission of Pakistan ("**Commission**") under Section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**"). The Respondent is Trading Right Entitlement Certificate Holder/Broker of the Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange) ("**PSX**") and registered as a broker with the Commission under the Brokers Rules.

2. The Commission in exercise of its powers under sub-section (1) of section 6 of the Ordinance, read with Rule 3 and Rule 4 of the Stock Exchange Members (Inspection of Books and Record) Rules, 2001 ("**Inspection Rules**") ordered an inspection of the *inter alia* the books and record required to be maintained by Respondent during the period from January 01, 2014 to December 31, 2014 vide order No. SMD-/MSRD-C&IW/(INS-KSE)(002)/2015 dated January 2, 2015.

3. The Inspection Team prepared the report ("**Inspection Report**") and the same was shared with the Respondent on July 31, 2015 in accordance with Rule 7 of the Inspection Rules.

4. The Inspection Team observed that the Respondent was non-compliant with the following regulatory framework:

Regulatory framework	Alleged Nature of irregularity
Securities and Exchange Rules, 1971 (SE Rules).	a) The following observations were noticed regarding net capital balance (" <b>NCB</b> ") as on June 30, 2014: (i) Trade receivables were understated by Rs 1.945 million. (ii) Securities purchased for clients were overstated by Rs 1.945 million. b) Non-provision of working of weekly NCB.
Rule Book of PSX	a) Research reports were publicly available whereas the access to these reports should have been restricted to clients only.

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	<ul style="list-style-type: none"> <li>b) Non-maintenance of Standardized Account Opening Form.</li> <li>c) Know your customer ("KYC") and customer due diligence ("CDD")</li> <li>d) Non-segregation of clients' assets.</li> <li>e) Absence of collateral account.</li> <li>f) No separate accounts from proprietary trading.</li> <li>g) Non-compliance with branch regulations</li> </ul>
CDC Regulations	Discrepancies in Sub Account Opening Forms.

5. In light of observation made in the Inspection Report, the Commission served the SCN to the Respondent under Section 22 of the Ordinance and the Respondent was called upon through its Chief Executive Officer to show cause in writing as to why penalty may not be imposed under Section 22 of the Ordinance.

6. The Chief Executive Officer of the Respondent vide letter dated December 21, 2015 submitted his written response to the Notice.

7. In order to arrive at decision, I have gone through the observations made by the Inspections Team and submissions/comments submitted against each of the observation which may be summarized as under:

S#	Observation of Inspection Team	Observation of the Respondent
1	Incorrect reporting in NCB	The Respondent stated that they had calculated trade receivables and aging of trade receivables in accordance with the guidelines of the Commission and the same was vetted and verified by our auditor. The complete working of the same was provided to the inspection team. The difference if any arising out of sample data calculated by inspection team is very minimal and does not have much impact on NCB. However, the Respondent has made the necessary amendments as suggested by the inspection team. Furthermore, the Respondent stated that they had noted the procedure applied by SECP inspection team for further compliance.





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2	Working of weekly reporting of net capital balance.	The Respondent stated that they had taken this into their consideration and have started reporting
3	Research reports were publicly available whereas the access to these reports should have been restricted to clients only.	The Respondent stated that they had now restricted access to public of their research reports that are available on their website. It's only viewable to their clients.
4	Non-maintenance of SAOF	The Respondent stated that the discrepancies noted by the Inspection Team have now been rectified.
5	KYC and CDD	The Respondent stated that they have included the new format of KYC and CDD as per the rule book for their new clients.
6	Non-segregation of clients assets	The Respondent stated that the discrepancies noted by the Inspection Team have now been rectified.
7	Absence of collateral account.	The Respondent stated that they have opened collateral account with CDC
8	Separate account for proprietary trading	The Respondent stated that they have now made necessary rectifications in their records as pointed out by the team.
9	Non-compliance with branch regulations	The Respondent stated that the shortcomings noted by the inspection team have since been rectified.
10	Discrepancies in Sub Account Opening Forms.	The Respondent stated that the shortcomings noted by the inspection team have since been rectified.

8. I have examined the observations made by the Inspection Team, comments submitted by the Respondent thereto. I have taken into account the penal actions initiated by the Commission against the Respondent in the past. In view of the above, I am not imposing any penalty on the Respondent. However, the Respondent is hereby advised to ensure strict compliance of regulatory framework, in future.

9. This Order is 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 otherwise brought to the knowledge of the Commission.



  
Nasir Askar  
Director/HOD(LCID)

Islamabad.  
Announced on January 19, 2016

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