



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Through Courier

Before

Abdul Rehman Warraich, Commissioner (SMD)

In the matter of

Show Cause Notice issued to M/s Aziz Fidahusein & Company (Private) Limited
under Section 22 of the Securities and Exchange Ordinance, 1969

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| Number and date of Show Cause Notice (SCN) | 1(68)SMD/PRPD/KSE/2016-795 dated February 09, 2021 |
| Date(s) of Hearing: | July 19, 2023 |
| Present at the Hearing(s): | Mr. Aziz Fida Husein, Chief Executive Officer |

ORDER

This Order shall dispose of the proceedings initiated against M/s Aziz Fidahusein & Company (Private) Limited (the “**Company**” or the “**Respondent**”) through Show Cause Notice No.1(68)SMD/PRPD/KSE/2016-795 dated February 09, 2021 (the “**SCN**”) for its alleged contravention of the requirements of Rule 2(d), 4(4) and 8(1) of the Securities and Exchange Rules, 1971 (the “**Rules**”) and Circular No. 34 of 2009 dated October 30, 2009 (hereinafter referred to as the “**Circular**”) read with the penal provisions of Rule 8 of the Brokers and Agents Registration Rules, 2001 (the “**Broker Rules**”) and Section 22 of the Securities and Exchange Ordinance, 1969 (the “**Ordinance**”), as applicable at that time.

2. Brief facts of the case are that the Company held a Trading Rights Entitlement Certificate (TREC) of M/s Pakistan Stock Exchange Limited (PSX) – until the TREC was suspended by the PSX on December 10, 2015 and forfeited on September 21, 2022 – and was registered as a licensed securities broker with the Securities and Exchange Commission of Pakistan (the “**Commission**”) up till November 01, 2015. On February 09, 2021, the Commission served the SCN upon the Respondent for its alleged failure to comply with the above-mentioned requirements of law. The facts leading to the issuance of SCN and underlying circumstances are summarized below:

- a. On January 02, 2015, the Commission, in exercise of its powers conferred under Section 6(1) of the Ordinance, and Rule 3 & 4 of the Stock Exchange Members (Inspection of Books and Record) Rules, 2001, ordered an inspection of the books and record of the Company. The scope of inspection was to examine books and records required to be maintained by the Company and to check compliance with the applicable laws.
- b. On June 06, 2016, the inspection team shared the inspection findings with the Company.
- c. The Company provided its comments thereupon on July 15, 2015.
- d. The inspection report dated October 13, 2015 revealed that the Respondent was



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reportedly in violation of the Rule 2(d) regarding computation of net capital balance, Rule 4(4) regarding requirements around execution & recording of customer orders, & Rule 8(1) of the Rules regarding maintenance of books & accounts, and in violation of the Circular regarding the requirement to obtain the certification prescribed therein – as applicable in that point in time.

3. The SCN was returned undelivered from the registered office address (in KSE Building Karachi) of the Company on account of 'shifting of office'. The SCN was again sent to the Company on another office/room in KSE Building Karachi, and thereafter to the residential addresses of three (03) directors of the Company, as per the record available with the Commission. However, all copies of SCN returned undelivered by the end of February 2021.

4. In order to provide an opportunity of personal representation to the Respondent, a hearing notice dated June 16, 2022 was subsequently issued to fix a hearing for June 27, 2022; however, the said notice was also returned undelivered on account of 'shifting of office'. On June 02, 2023, a hearing notice was again issued to the registered office address of the Company for & the hearing was re-scheduled on June 14, 2023. However, the said notice also returned undelivered. The hearing notice along with the copy of SCN were re-delivered by the Commission to another Karachi address of the Company i.e. the address identified in a notice issued by PSX to the Company, copied to the Commission. Subsequently, M/s Muzaffar & Company Advocates vide letter dated June 08, 2023 requested the Commission for an extension in time/adjournment of the hearing. The said firm substantially submitted that the trading rights of the Company were suspended by PSX in 2016 and the Company has not conducted any business since the time of suspension. However, the said letter was not accompanied with an authorizing instrument executed by the Company in favor of M/s Muzaffar & Company Advocates.

5. Nevertheless, considering the afore-referred request, the hearing was again rescheduled for June 21, 2023 and the hearing notice was delivered to the new available address of the Company (although no change in the registered office address of the Company has been notified by the Company since 2015). However, the Company vide its letter dated June 20, 2023 requested for an adjournment of hearing for fifteen (15) days. Accordingly, the Commission vide notice dated June 26, 2023 re-fixed the hearing for July 19, 2023, which was finally attended by Mr. Aziz Fida Husein, Chief Executive Officer.

6. During the course of hearing, Mr. Aziz Fida Husein made the following submissions:

- a. The trading terminals of the Company were suspended in July 2015, and no record whatsoever is available with them since then until now.
- b. All investor claims have already been settled on a pro-rata basis.
- c. Upon being inquired as to whether the Company is currently complying with the general requirements and obligations as a company, the Respondent submitted that



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no such compliance is being made as of now and the last statutory filing was made in 2015.

- d. The Company was requested to provide a copy of any letter and/or seizure memo given by PSX to the Company, in order to ascertain whether the records of the Company were, as contended by the Respondent, transferred to the PSX before issuance of SCN.
- e. Upon being inquired about future business plans of the Company, no substantive submission was made by the Respondent.

7. I have gone through the relevant provisions of law and the submissions made by the Respondent through its written response as well as verbal arguments presented during the hearing. I have also perused the applicable Rule 8 of the Broker Rules and Section 22 of the Ordinance, which stipulate penal provisions for contravention of the requirements of law in question. I have noted that the following pertinent aspects in the subject matter:

- a. The SCN and hearing notices were time and again delivered to the registered office address of the Respondent (notified to the registrar) as well as to the residential addresses of the directors of the Respondent, in order to enable them to defend on behalf of the Respondent, furnish response thereto, and duly give an opportunity of being heard to them. The Respondent has not responded, denied or otherwise admitted to the allegations raised through the SCN, mainly due to the fact that the Respondent has neither maintained its office at the registered address notified to the registrar nor notified any change thereto till date. The correspondence initiated by the Commission on the said address of the Respondent has resultantly been returned undelivered. The license (as a securities broker) of the Respondent was deemed cancelled since November 2015. The information/evidence on the current operational status (or liquidation) of the Respondent is not available with the Commission.
- b. The Respondent has substantially contended that all the investor claims have been settled and no record is available with the Company and/or its CEO namely Mr. Aziz Fida. However, it is eminent to mention here that the SCN does not allege the non-settlement of investors claims or any matter incidental thereto. The non-availability of any record/documents with the Company does not nullify the allegations raised through the SCN; neither does it absolve the Company from the compliance of mandatory requirements & obligations imposed under the applicable laws.
- c. As directed during the hearing held on July 19, 2023, the Respondent has not provided a copy of letter and/or seizure memo given by PSX to the Company, to demonstrate whether the records of the Company were, in fact, transferred to the PSX before issuance of SCN.



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- d. There stands no further evidence (verbal or documentary), submission(s) and/or argument available on record to deny the allegations raised through the SCN for non-compliances of the laws by the Respondent, as applicable at that point in time.
- e. It is thus safe to conclude and establish that the Respondent has failed to comply with the provisions of Rule 2(d), 4(4) and 8(1) of the Rules, and the Circular, as applicable in the instant proceedings.

8. In view of the above-stated facts & circumstances and the established default of the Respondent, I, in exercise of the powers conferred upon me under the relevant provisions of law, hereby impose a **penalty of Rs. 50,000/- (Rupees Fifty Thousand Only) on the Respondent.** The Respondent is directed to deposit the aforesaid penalty in the designated bank account maintained in the name of the Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited, within a period of thirty (30) days from the date of this Order, and furnish receipted voucher issued in the name of the Commission for information and record.

9. The Respondent is also directed to exercise caution and meticulously adhere to all applicable laws, Rules, Regulations and Directions etc. notified/issued from time to time in true letter and spirit, as and when applicable.

10. This order is being issued without prejudice to any other action(s) that may be initiated/taken against the Directors, the Company and/or its officers responsible for the violations of the aforesaid provisions of the law, accordingly.



(Abdul Rehman Warraich)
Commissioner (SMD)

Announced:

October 20, 2023
Islamabad