



# 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 Hum Securities Limited**  
**under Rule 8 of Brokers and Agents Registration Rules, 2001 read with Section 22 of the**  
**Securities and Exchange Ordinance, 1969**

Number and date of Show Cause Notice (SCN)	1(68)SMD/PRPD/2016-790 dated February 09, 2021
Date(s) of Hearing:	June 15, 2023
Present at the Hearing(s):	Mr. Jawwad Khan Lodhi (Authorized Representative)

## ORDER

This Order shall dispose of the proceedings initiated against M/s Hum Securities Limited (the “**Company**” or the “**Respondent**”) for its alleged failure to comply with the requirements of Section 21(2) of the Securities and Exchange Ordinance, 1969 (the “**Ordinance**”), Sub-regulation 4.19 of Regulation 4 of M/s Pakistan Stock Exchange Limited (PSX) Rule Book, Rule 12 of the Brokers and Agents Registration Rules, 2001 (“**Broker Rules of 2001**”) and Rule 8 of the Securities and Exchange Rules, 1971 (“**SE Rules of 1971**”), as applicable at the time of enquiry initiated vide Order dated March 11, 2014 under the provisions of the then Section 21 of the Ordinance read with Section 29 of the Securities and Exchange Act, 1997 (“**SECP Act**”), read with the penal provisions of Rule 8 of Broker Rules of 2001 read with Section 22 of the Ordinance.

2. Brief facts of the case are that the Company was a Trading Rights Entitlement Certificate (TREC) holder of PSX and was registered as a securities broker with the Securities and Exchange Commission of Pakistan (the “**Commission**”) until May 31, 2012. An enquiry was initiated by the Commission on March 11, 2014 to enquire into the dealings, business or any transaction in securities by the Company and to investigate the handling of securities entered in the sub-accounts maintained under its participant ID without authority of the sub-account holders and violations of the Ordinance, the SECP Act, Central Depository Act, 1997 and rules and regulations made thereunder and to inspect books and records. However, the Company reportedly failed to provide its back-office record to the enquiry team and thus, the team relied on (i) back-office record provided by the complainants; (ii) record of Central Depository Company of Pakistan Limited (CDC); (iii) record from National Clearing Company of Pakistan Limited (NCCPL); and (iv) trading data.



3. The enquiry report dated June 23, 2016 revealed that the Company *prima facie* contravened the following provisions of law as applicable at that point in time:

**Section 21(2) of the Ordinance:**

*"(2) Where any enquiry under sub-section (1) has been undertaken every past or present member, director, manager or other officer of the Exchange [or any other person] to which the enquiry relates, and every other person who has had any dealing in the course of his business with such [person or] Exchange or with the director, manager or officer thereof, shall furnish such information and documents in his custody or power or within his knowledge relating to or having bearing on the subject-matter or the enquiry as the person conducting the enquiry may require."*

**Sub-regulation 4.19 of Regulation 4 of PSX Rule Book:**

*"The brokers shall ensure that the assets belonging to their clients are kept separated from the assets of the Broker."*

**Rule 12 of the Brokers Rules of 2001:**

*"12. Brokers to abide by code of conduct.- A broker holding a certificate of registration under these rules shall abide by the code of conduct specified in the Third Schedule."*

**Rule 8 of the SE Rules of 1971:**

*"8. Maintenance of books of account, etc. by members.- (1) Every member shall prepare and maintain, as required by sub-section (1) of section 6, the following books of account and other documents in a manner that will disclose a true, accurate and up-to-date position of his business..."*

4. Any contravention of the above provisions of law attracts the penal provisions of applicable laws as reproduced hereinbelow:

**Rule 8 of the Broker Rules of 2001:**

*"8. Suspension of registration.- Where the Commission is of the opinion that a broker-...*  
*(ii) has otherwise failed to comply with any requirement of the Act or the Ordinance or of any rules or direction made or given thereunder;*

*(iii) has contravened the rules and regulations of the stock exchange;*

*(iv) has failed to follow any requirement of the code of conduct laid down in the Third Schedule;*

*(v) has failed to comply with the directives of the Commission in respect of business*



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*conduct, dealings with clients and financial prudence; ...*

*(x) has not co-operated in any enquiry or inspection conducted by the Commission; ...*

*the Commission may, if it considers necessary in the public interest so to I do, by order in writing...*

*(b) impose on a broker a fine not exceeding one hundred thousand rupees... ”*

**Section 22 of the Ordinance:**

**“22. Penalty for certain refusal or failure.-** (1) *If any person-...(c) contravenes or otherwise fails to comply with the provisions of this Ordinance or any rules or regulations made thereunder;*

*the [Commission] may, if it is satisfied after giving the person an opportunity of being heard that the refusal, failure or contravention was willful, by order direct that such person shall pay to the [Commission] by way of penalty such sum not exceeding [fifty million] rupees as may be specified in the order and, in the case of a continuing default, a further sum calculated at the rate of [two hundred] thousand rupees for every day after the issue of such order during which the refusal, failure or contravention continues.”*

5. The factual circumstances leading to the subject enquiry are that on March 12, 2012, the then Karachi Stock Exchange (KSE) issued a notice and switched off trading terminals on the request of the Company. Accordingly, NCCPL restricted the Company access to NCC systems (as defined under NCCPL Regulations) w.e.f. March 13, 2012. On March 16, 2012, KSE *inter alia* informed the Commission about receipt of a request for transfer of the Company's membership in favor of M/s ACM Global Pvt. Ltd. The Commission thereafter granted its “no object certificate” on April 03, 2012 for the said transfer. On the same day, the then KSE issued a notice to invite any objection or claim against the Company along with documentary evidence within 90 days of said notice. On April 26, 2012, NCCPL terminated the Company's Clearing Member accounts upon its own request. Subsequent to the aforesaid series of events, up till March 21, 2014, PSX received a total of 113 claims (after 90 days' notice period) of Rs.12 million approx. while the Commission received 230 claims amounting to Rs.26 million approx. It was thus evident that soon after transfer of membership of the Company, a large number of investors' claims were lodged against it, which despite multiple reminders remained unresolved.

6. Accordingly, the subject enquiry was ordered by the Commission for the review period of July 01, 2011 till June 30, 2013. During the course of enquiry, the team time and again requested the Company and its directors/officers etc. to provide, amongst other things, back-office record including general ledger, subsidiary client ledger, trial balance, share balance report, client's transaction details, clients' delivery statement, details of receipts/payments & bank statements. However, the Company reportedly failed to provide so and the team, as a last judicial resort, relied



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on the back-office record provided by the complainants, record of CDC, record from NCCPL and the trading data.

7. Considering the above-mentioned facts and circumstances, a Show Cause Notice (SCN) dated February 09, 2021 was served upon the Respondent through its Chief Executive Officer (CEO) for *prima-facie* contravention of Section 21(2) of the Ordinance, Sub-regulation 4.19 of Regulation 4 of PSX Rule Book, Rule 12 of the Broker Rules of 2001, and Rule 8 of the SE Rules of 1971 under the penal provisions of Rule 8 of Broker Rules of 2001 read with Section 22 of the Ordinance.

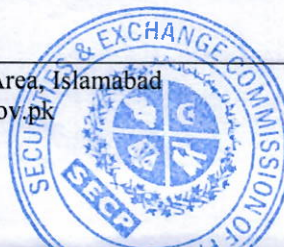
8. The said SCN was however returned undelivered from the registered office address of the Respondent. A copy of SCN was thereafter forwarded to the residential addresses of three (03) directors of the Respondent, as notified to the Commission through the last filed annual return of the Respondent made up to October 31, 2011, including its CEO namely Mr. Khalid Waheed. On March 04, 2021, a reply was received from M/s Mazhar Law Associates Advocates & Solicitors on behalf of Mr. Khalid Waheed stating that:

*"Upon the instructions and on behalf of our client namely KHALID WAHEED (Ex-C.E.O. of Hum Securities Limited) we are pleased to submit reply to the show-cause notice issued from your office vide letter No. 1 (168) SMD/PRPD/2016/790 dated February 09, 2021. The contents of the show-cause notice states that Security & Exchange Commission of Pakistan (SECP) has initiated an enquiry under section 21 of the Securities and Exchange Ordinance, 1969 read with section 29 of the Securities and Exchange Act, 1997 vide its order dated March 11, 2014 in order to inquire and investigate into the handling, dealings, business or any transaction in securities by HUM Securities Ltd.*

*Please be informed that our client has already been resigned from his position of C.E.O. of the HUM Securities Limited vide resignation letter dated 28 March, 2012 presented before the Chairman, HUM Securities Limited (Attached). Therefore, as of now, our client is neither the C.E.O of HUM Securities Limited nor he has any nexus with the handling, dealings, business or any transaction in securities of HUM Securities Limited as of now.*

*Furthermore, the instance enquiry has been initiated upon the order dated March 11, 2014 whereas our client had resigned from the of CEO of HUM Securities Limited on 28 March, 2012 therefore, issuing a show-cause notice to our client stating him the CEO of HUM Securities Limited is itself erroneous."*

9. Subsequently, in order to meet the ends of justice and provide an opportunity of being heard to the Respondent, a hearing was scheduled for June 28, 2022. The hearing notice again returned undelivered from the registered office address of the Respondent. The notice was again





delivered to the residential addresses of the directors of the Respondent which however was not held and adjourned to a later date. The hearing was re-fixed for June 15, 2023, which was finally attended by Mr. Jawwad Khan Lodhi (duly authorized by Mr. Khalid Waheed, being the CEO of the Respondent). The Authorized Representative reiterated the afore-referred written submissions on behalf of Mr. Khalid Waheed.

10. Pursuant to the proceedings of hearing held on June 15, 2023, the Authorized Representative has made the following submissions vide email dated June 27, 2023:

- a. *"As per the information received by our client, the reasons behind the resignation from the post of CEO Hum Securities were purely based on business workings, when principally it was decided by the company to halt the business activities. Being the minority shareholder and director at that time, it was decided by the company that such procedures were to be undertaken by the Chairman of Hum Securities, Haji Ghani Usman, which actions were duly undertaken where our client ensured the fulfillment of all procedures, and not only the procedures for closure were duly fulfilled by the company, but also all the claims were settled by the company before the PSX, which is indicative from the refund letter dated 30th January, 2017 issued by the Chairman Haji Ghani Usman whereby refund of excess amount of Rs. 4,59,950 was sought back by the company lying with the PSX after settlement of all claims. (Copy of letter is attached herewith). The fact of the settlement of claims can be duly verified by PSX, regarding which our client too has approached the PSX, where an oral confirmation has been provided by PSX, however, due to the old record, a written confirmation is still awaited.*
- b. *Admittedly, the resignation was tendered on 28th March, 2012, and owing to various reasons in respect of the workability of the company, the process for transfer of its membership had been initiated by the company. The fact of this transfer once reached, all diligence was duly adopted to efficiently satisfy all claims and obtaining of clearance from the PSX in this regard, which activity was duly performed. The bonafide actions of the company can also be ascertained from the fact that no complaint has been made during all these years, and the factum of settlement of claims is duly verifiable by PSX.*
- c. *As reiterated earlier, the resignation by our client was duly tendered on 28th March, 2012. To the best of information available to our client, the procedural formalities were duly fulfilled by the then Board, proof whereof is the correspondence between PSX and Hum Securities whereby the Chairman had not only made various correspondences with PSX, but the said letters were duly acknowledged and responded to by PSX to the Chairman. Furthermore, even the refund of amount Rs. 4,59,950/- after the satisfaction of entire claims by PSX in relation to Hum Securities was made in favour of the*



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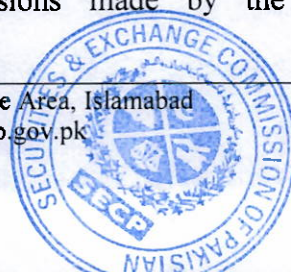
*Chairman, thus settling the notion of the tendering and acceptance of resignation of our client from the said post.*

- d. Admittedly, the company is not in operations since 31st March, 2012, and as per the record of PSX, all the claimants have been satisfied by the company; even the excess amount has been refunded. The company, not in operations since the above-mentioned date, it is deemed to meet its logical conclusion towards winding up, however, awaits the finalization of the proceedings undertaken against the company through the instant SCN.*
- e. Our client in consonance with the request of SECP has attempted to reach out to the mentioned directors/Chairman, however, their representation cannot be guaranteed by our client and is the sole discretion of the said personnel. According to the information gathered by our client, the Chairman is reported to have proceeded to perform Hajj.*

*The above submissions have been tendered to establish the bonafide of our client, whereby he had not only tendered his resignation before the stated period in the SCN, but all the claims in respect of Hum Securities stood satisfied and the excess amount out of the deposited amount was also refunded to the Chairman, thus calls for due consideration on the part of SECP and withdrawal of the instant SCN accordingly."*

11. I have gone through the relevant provisions of law and the submissions made on behalf of Mr. Khalid Waheed, the CEO of the Respondent, through his Authorized Representative. I have also perused Rule 8 of Broker Rules of 2001 read with Section 22 of the Ordinance, which stipulate penal provisions for contravention of the requirements of law in question. I have noted the following pertinent aspects in the subject matter:

- i. 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 cancelled under the applicable law in May 2012. The information/evidence on the current operational status (or liquidation) of the Respondent is not available with the Commission, except for the submissions made by the Authorized



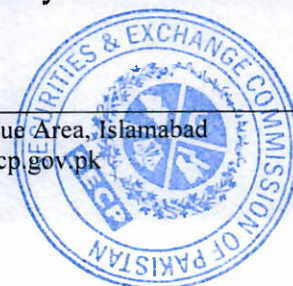


Representative that the Company has been non-operational since March 31, 2012 and awaits finalization of the instant proceedings before proceeding for liquidation/winding up.

- ii. Only one (01) out of the three (03) notified directors of the Respondent, namely Mr. Khalid Waheed (CEO/Director) has responded to the SCN through his Authorized Representative. The contention put forward by the said CEO/Director is that he resigned from his office as CEO of the Company in March 2012, which precludes him from the dealings, business and transactions carried out by the Company subsequent to his resignation including at the time when the subject enquiry was initiated in March 2014. In this respect, firstly, it is mentioned that the resignation of Mr. Khalid Waheed as the CEO of the Company has not been reported to the Commission, the registrar of the concerned Company Registration Office (through statutory forms) or to the PSX. As far as his nexus to the transactions entered into by the Respondent is concerned, it is highlighted that the subject enquiry covered the review period from July 01, 2011 up till June 30, 2013 – thus, Mr. Khalid evidently held his office as CEO of the Respondent for almost half of the said review period, and outright preclusion cannot be granted on this ground alone.

Even otherwise, Section 21(2) of the Ordinance explicitly affixes responsibility on every past and present director and officer of the Company, who has had any dealing in the course of his business with the Company, to furnish such information and documents in his custody or power or within his knowledge relating to or having bearing on the subject enquiry as the person conducting the enquiry may require.

- iii. The Authorized Representative was directed during the hearing held on June 15, 2023 to provide requisite information/documents in support of his contentions, as detailed in para 10 above. The Authorized Representative in his response dated June 27, 2023 has substantially relied on the satisfaction of all claims post-transfer of membership of the Respondent in March 2012 and non-pendency of any complaints against the Respondent as of today. As per the record available, there are no complaints or disputes currently pending with the PSX and/or the Commission against the Respondent and/or its management.
- iv. The Representative has neither produced any documentary evidence to demonstrate the tendering of resignation by Mr. Khalid Waheed to the PSX and/or the Commission through filing of requisite statutory forms nor contended the non-



provision of back-office record to the enquiry team and other violations of law alleged through the SCN.

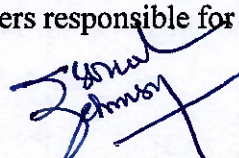
- v. There stands no further evidence (verbal or documentary), submission(s) and/or argument available on record to deny the allegations raised through the SCN for non-compliances of the laws by the Respondent, as applicable at that point in time.
- vi. It is thus safe to conclude and establish that the Respondent has failed to comply with the provisions of Section 21(2) of the Ordinance, Sub-regulation 4.19 of Regulation 4 of PSX Rule Book, Rule 12 of the Broker Rules of 2001, and Rule 8 of the SE Rules of 1971, as applicable in the instant proceedings.

12. In view of the above-stated facts & circumstances and the established default of the Respondent to provide requisite books & record to the enquiry team, I, in exercise of the powers conferred upon me under the relevant provisions of law, hereby impose a **penalty of Rs.250,000/- (Rupees Two Hundred and Fifty Thousand) on the Respondent**. The Respondent is directed to deposit the aforesaid penalty in the account of the Commission being maintained with the designated branches of MCB Bank Limited, within a period of thirty (30) days of the announcement of this Order, and furnish original Deposit Challan to this office.

13. The Respondent (and its CEO, board of directors & relevant officers) are 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.

14. 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:**

July 20, 2023  
Islamabad