



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 17 of 2014

KASB Securities Limited

versus

Director/Head of Department, MSRD-SECP

Date of hearing:

January 18, 2024

For the Appellant:

Mr. Muhammad Farid Alam, Chief Executive

For the Respondent:

1. Mr. Hammad Javed, Additional Director, Adjudication-I, SECP
2. Mr. Raja Farukh Ahmad, Additional Joint Director, Adjudication-I, SECP
3. Mr. Muhammad Faisal, Assistant Director, Adjudication-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 17 of 2014, filed under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act") against the order dated March 31, 2014 ("Impugned Order") passed by the Respondent.
2. The brief facts of the case are that the Securities and Exchange Commission of Pakistan ("Commission") in exercise of its powers under section 6(1) of the Securities and Exchange Ordinance, 1969 ("SEO 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 books and records required to be maintained by the Appellant vide order dated August 27, 2013. The inspection report revealed that the Appellant, failed to maintain segregation of client's assets; is non-compliant with the Securities (Leveraged Markets and Pledging), Rules 2011; failed to



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classify its employees as proprietary under Regulations for Proprietary Trading, 2004; and imposing late payment charges on its clients. Consequently, a show-cause notice dated January 17, 2014 (“SCN”) was issued to the Appellant under section 22 of the SEO Ordinance and rule 8 of the Brokers and Agents Registration Rules, 2001. The Appellant submitted its written response to the SCN vide letter dated February 03, 2014 and hearing in the SCN proceedings was held on February 19, 2014. The Respondent dissatisfied with the response of the Appellant, in exercise of the powers under section 22 of the SEO Ordinance, imposed a penalty of Rs. 500,000/- on the Appellant along with directions thereto.

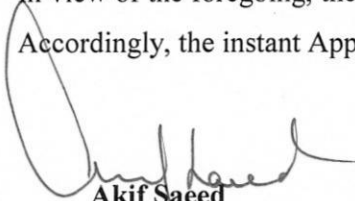
3. The authorized representative for the Appellant submitted that the Appellant Company i.e. M/s. KASB Securities Limited, underwent an acquisition and merger as a result of which, the name of the Applicant was changed to AKD Securities Limited. He further contended that entries appearing in the books of account pertaining to the year 2013 were rectified in 2014, however, the Impugned Order was issued prior to the said rectification in the books of account. The authorized representative of the Appellant contended that the instant Appeal pertains to issues prior to acquisition and merger of the Appellant and as such it is not possible for the successor entity i.e. AKD Securities Limited to offer any defense after lapse of almost eleven years. The authorized representative submitted that the successor entity may not be penalized on account of past non-compliances of the Appellant as the Impugned Order poses reputational risk on the former. He contended that the only reason why AKD Securities Limited as a successor entity of the Appellant is contesting the instant Appeal is to protect its reputation and, on that account, only, prays dismissal of the Impugned Order.
4. Controverting the stance of the Appellant, the Respondent argued that directions were also issued to the Appellant vide Impugned order, however, the same have not been complied with and thus the instant Appeal merits dismissal.
5. The Appellate Bench (the “Bench”) has heard the parties and perused the record. The Bench questioned the authorized representative of the Appellant with regard to the responsibility of the liabilities of the Appellant post the acquisition and merger. In response, the authorized representative has conceded that under the law, AKD Securities Limited being the successor entity of the Appellant is responsible for the liabilities of the Appellant. The authorized representative has not pressed the grounds of Appeal and has only submitted that the Impugned Order is damaging for the reputation of AKD Securities Limited. The Bench is not convinced with the said argument as




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the record clearly suggests that the instant Appeal was filed by the Appellant i.e. KASB Securities Limited in 2014 against the Impugned Order, which post acquisition and merger, is now represented by AKD Securities Limited. The fact that the Impugned Order and the instant Appeal were on record at the time acquisition and merger took place makes it amply clear that the successor entity was in knowledge of the penalty/directions imposed/issued vide the Impugned Order and pending appeal there against. Moreover, the contention of the authorized representative of the Appellant that the instant Appeal is fixed after eleven years of filing is also not correct as the record shows that previously, the instant Appeal was fixed for hearing on January 09, 2015, February 19, 2015, July 12, 2018, and July 20, 2023.

6. In view of the foregoing, the Bench does not find any reason to interfere with the Impugned Order. Accordingly, the instant Appeal is hereby **dismissed** with no order as to cost.


Akif Saeed
Chairman/Commissioner


Abdul Rehman Warraich
Commissioner

Announced on: 31 JAN 2024