



# Securities and Exchange Commission of Pakistan

## BEFORE APPELLATE BENCH NO. 1

In the matter of

Appeal No. 91 of 2017

JSK Securities Limited

...Appellant

Versus

Commissioner (Securities Market Division), Securities and  
Exchange Commission of Pakistan

...Respondent

Date of Hearing 20/04/18

### Present:

#### For the Appellant

- (i) Mr. Ibrar Bashir, CFO
- (ii) Mr. Haider Ali, Company Secretary

#### For the Respondent:

- (i) Mr. Asif Khan, Deputy Director (SMD)
- (ii) Mr. Salman Arshad, Deputy Director (SMD)

### ORDER

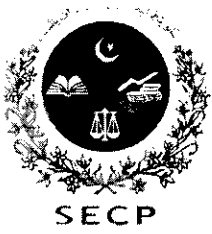
1. This Order is in the matter of Appeal No.91 of 2017 filed under section 33 of the Securities and Exchange Commission of Pakistan (Commission) Act, 1997 (SECP Act) against the order (Impugned Order) dated 30/05/17 passed by the Respondent.
2. The brief facts of the case are that review of the Financial Reporting System (FRS) data revealed that JSK Securities Limited (Appellant) did not file quarterly financial returns through the online FRS for quarter ended 30/06/16, 30/09/16 and 31/12/16 in contravention of Commission Circular No.4 of 2013 dated 16/04/13. This is despite the fact that the Commission arranged the awareness and training sessions for the Trading Right Entitlement Certificate



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(TREC) holders on FRS in Islamabad, Lahore and Karachi. The Commission vide its letter dated 27/01/17 sought information from the Company to assess the level of compliance with Regulation 20 of the Securities Brokers Licensing and Operations Regulations, 2016 (SB Regulations). The reply of the Appellant revealed that it was prima facie non-compliant with the provisions of sub-regulation 1 and 2 of Regulation 20 of the SB Regulations as it had not provided information regarding details of dedicated lines, centralized recording system and mechanism to record order received in person. The Appellant had not sent details of all its bank accounts with the Head of Department, Surveillance, Supervision and Enforcement Department of the Securities Market Division of the Commission (HOD-SSED) as required through Pakistan Stock Exchange (PSX) notice No. PSX/N-798 dated 08/02/17 despite the reminder letter sent by the Commission on 17/03/17 to the Appellant. The Appellant had not submitted hard copy of its annual accounts for the year ended 30/06/16 with HOD-SSED Department as required through PSX notice No. PSX/N-797 dated 08/02/17, PSX/N-1118 dated 22/02/17 despite the reminder letter sent by the Commission on 16/03/17 to the Appellant. The Appellant also did not submit a hard copy of its half yearly accounts for the period ended 31/12/16 with the HOD-SSED Department as required through PSX notice dated 08/02/17 despite the reminder letter sent by the Commission on 17/03/17 to the Appellant.

3. The Show Cause Notice dated 12/04/17 (SCN) was issued to the Appellant as the above contraventions attract the penal provisions under section 150(1) and 150(2) of the Securities Act, 2015 (Securities Act). The Appellant was asked to file written reply to the SCN. The Appellant filed written reply to the SCN vide letter dated 27/04/17. Hearing in the matter was also held on 26/04/17. On the given date, Mr. Sohail Akram, Senior Account Officer attended the hearing on behalf of the Appellant and made his submissions.
4. The Respondent dissatisfied with the response of the Appellant held that it was evident that the Appellant had not submitted hard copies of its annual accounts for the period ended 30/06/16 and half year accounts for the period ended 31/12/16 as referred in SCN to HOD-SSED of the Commission, which revealed its non-serious attitude for compliance with regulatory requirements. Therefore, in exercise of powers under section 150 of the Act, a penalty of Rs 100,000/- was imposed on the Appellant. The Appellant was further directed by the Respondent to submit its annual and half-yearly accounts for the period ended 30/06/16 and 31/12/16 to



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HOD-SSED of the Commission within 10 days from the date of the Impugned Order and ensure strict compliance with the regulatory framework in letter and spirit, in future.

5. The Appellant preferred the instant appeal on the grounds that the Appellant adopted the new online system for FRS, however, they could not file the financial statements through FRS due to technical issues. The Appellant argued that they timely filed all the required financials for the quarter ended 30/06/16, 30/09/16 and 31/12/16 with the PSX but the same could not be filed with the Commission and that compliances in respect of Regulation 20 were also made to PSX about dedicated lines, centralized recording system and mechanism to record order. Furthermore, the Appellant argued that all bank details were provided to the PSX which was received in their office on 20/03/17 but the same was not shared with the Commission as the Appellant's staff was not fully aware of the requirements. Moreover, the Appellant stated that the Appellant's staff was unable to respond to the show cause notices of the Commission.
6. The Respondent rebutted the arguments of the Appellant on the grounds that the Appellant did not comply with the regulatory requirements despite the fact that the Commission arranged the awareness and training sessions for the TREC holders on FRS in Islamabad, Lahore and Karachi. The Respondent argued that the Appellant had also accepted the fact that it did not file quarterly FRS for the quarter ended 30/06/16, 30/09/16 and 31/12/16 prior to issuance of SCN. The Respondent considered the Appellant's plea at the hearing, however, it was observed that the compliance was not made by the Appellant in letter and spirit as the PSX notices on the matter categorically required that the detail of the bank accounts should have been submitted to PSX as well as to HOD-SSED in the Commission. In addition, it was also observed by the Respondent that the Appellant did not provide hard copies of its annual and half yearly accounts.
7. We have heard the parties i.e. the Appellant and the Respondent. The Appellant has argued that they intended to file the quarterly financial returns but could not do so as the online system was giving problems. Furthermore, the Appellant has argued that their brokerage house staff was not fully aware of the regulatory requirements and, therefore, omitted to share the bank details and quarterly and annual accounts with the Commission. The Respondent has argued that the Appellant did not comply with the regulatory requirements despite the fact that the Commission arranged the awareness and training sessions for the TREC holders on FRS in Islamabad, Lahore and Karachi. Furthermore, the Respondent argued that it was observed that the compliance was



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not made by the Appellant in letter and spirit as the PSX notices on the matter categorically required that the detail of the bank accounts should have been submitted to PSX as well as to HOD-SSED in the Commission and the Appellant also did not provide hard copies of its annual and half yearly accounts.

8. We are of the view that the Appellant should have ensured that all compliances were made in letter and spirit on time. Taking a lenient view, however, given the Appellant's assurance that they will fully comply with the regulatory requirements in future, we set aside the Impugned Order to the extent of penalty and direct the Appellant to be careful in future.

(**Shaukat Hussain**)  
Commissioner (CCD-CLD)

(**Tahir Mahmood**)  
Commissioner (CSD-CLD)

Announced on: **15 MAY 2018**