

Before Commissioner (SMD)

In the matter of Show Cause Notice issued to Arif Habib Limited

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Dates of Hearing

October 02, 2020

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**Order-Redacted Version**

Order dated April 8, 2021 was passed by Commissioner (SMD) in the matter of Arif Habib Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated August 13, 2020.
2. Name of Company	Arif Habib Limited (the "Company" or "the Respondent")
3. Name of Individual*	The proceedings were initiated against the Company.
4. Nature of Offence	Alleged contraventions of <u>Section 74(a),(b) and (c) of the Securities Act, 2015 ("the Securities Act") and Regulation 16(1)(g)(i)(j) and 16(2)(h) of the Securities Broker (Licensing &amp; Operations) Regulations, 2016 ("Licensing Regulations") read with Section 150 of the Securities Act.</u>
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the submissions made in writing and during the hearing as well as issues highlighted in the SCN and requirements of the AML Regulations. The observation of the undersigned and findings against each submission made by the Respondents are summarized as under:</p> <p>i. With regard to the scheme of arrangement as mentioned in the SCN, the Respondent submitted that neither the company nor any of its employees were part of any scheme of arrangement with EFU to influence closing prices of certain scrips as described in the SCN. The Respondent provided that it had only acted in capacity of the broker to</p>

	<p>EFU and always acted in good faith and in compliance with all market rules and regulations. Further, the Respondent provided that subsequent to the issuance of prohibitory order by the Commission dated November 05, 2019, they have ceased business activity with EFU. In response, the Company has employed additional measures to continued compliance with relevant provisions of the Securities Act which includes strengthening of control and monitoring mechanism, training and development of trading desk, and segregation of compliance and risk functions.</p> <p>ii. During the hearing, the Respondent was advised to explain steps/ measures taken by it to strengthen its control mechanism. The Respondent vide its letter dated October 06, 2020 provided details of measures to ensure compliance with standards of conduct and ethical codes to comply with the relevant laws and regulations governing securities market.</p> <p>iii. In response to earlier communication with Market Supervision and Risk Department (MSRD) of Securities Market Division of the Commission, before initiation of adjudication proceedings, the Respondent submitted that the matter was discussed in meeting of Board of Directors held on September 26, 2019 wherein the Company had also initiated an investigation in the matter. Such investigation revealed that its respective trader was found to be unaware of the true interpretation of the laws related to avoiding market abuses. Therefore, subsequent disciplinary action was also taken against the respective trader.</p> <p>In view of the submissions made by the Respondent, the prohibitory order issued to the Respondent and remedial action taken by it as a consequence of said prohibitory order, I hereby conclude the proceedings without issuance of any adverse order.</p>
6. Penalty Imposed	No Adverse Order
7. Current Status of Order	No Appeal has been filed by the respondents.