



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

**BEFORE APPELLATE BENCH NO. I**

In the matter of

**Appeal No. 17 of 2009**

Azee Securities (Pvt) Ltd

..... APPELLANT

Versus

Director (SMD)

Securities and Exchange Commission of Pakistan

NIC Building, Jinnah Avenue, Blue Area, Islamabad

..... RESPONDENT

**ORDER**

Date of Hearing

15 October 2009

**Present:**

For the Appellant:

Syed Qasim Raza

For the Respondent Department:

Muhammad Atif Hameed

Deputy Director

Muhammad Ali

Deputy Director



## SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

1. This order shall dispose of appeal No 17 of 2009 filed under section 33 of the Securities and Exchange Commission of Pakistan (the "Commission") Act, 1997 against the Order (the "Impugned Order") dated 3-04-2009 passed by the Director (SMD).
2. AZEE Securities (Private) Limited ("the Appellant") is a member of Karachi Stock Exchange ("KSE"). The facts leading to the case are that:
  - a) On examination of Karachi Automated Trading System ("KATS") data of KSE from 22-12-2008 to 09-01-2009 it was observed that Appellant's client Ms. Karam Noor bought and sold 582,500 shares in ten different scrips in such a way that her orders for buy and sell matched with each other and did not result in any change in its beneficial ownership of the shares.
  - b) The Commission through letter dated 16-1-2009 asked the Appellant to provide comments along with documentary evidence to clarify its position in the matter. The Appellant responded vide letter dated 20-1-2009 and stated that the Ms. Karam Noor and its KATS operator were completely unaware of the rules and regulations. The Appellant assured the Commission that they had taken strong notice of the violation and it shall not be committed in future.
  - c) On review of KSE trading data from 20-1-2009 to 12-2-2009, it transpired that the Appellant was engaged in 1318 trades in 83 different scrips on behalf of two of its clients namely Ms. Karam Noor and Ms. Sumaira Ghazi in such a way that clients' buy orders matched their own sell orders to the tune of 2,387,900 shares and did not result in any change of beneficial ownership of the shares.



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3. Show cause notice ("SCN") dated 20-2-2009 was issued to the Appellant by the Commission under Section 22 of the Securities and Exchange Ordinance, 1969 (the "Ordinance") and rule 8 of the Brokers and Agents Registration Rules, 2001, (the "Brokers Rules"). The Appellant submitted a written reply to the SCN and representative of the Appellant was also heard by the Respondent. The Respondent after hearing the Appellant's representative concluded that the Appellant had committed the following violations:-

- a) Violation of clause A. (2) & (5) of the Code of Conduct under the Brokers Rules by executing wash trades in the client's account which in turn is violation of Rule 8 and 12 of the Brokers Rules.
- b) Violation of clause B. (4) of the Code of Conduct under the Brokers Rules by executing trades in the client's account in order to generate commission income which in turn is violation of Rule 8 and 12 of the Brokers Rules.
- c) Violation of Rule 13 of the Brokers Rules by not registering its Agent with the Commission under the Brokers Rules which in turn is violation of Rule 8 of the Brokers Rules.

The violations stated above attracted penalty under section 22 of the Ordinance. The Respondent imposed fine of Rs. 300,000 (Rupees three hundred thousand) only on the Appellant under Section 22 of the Ordinance for the violation mentioned at serial (i) above keeping in view the nature of the violation and the fact that the Appellant was already informed about the said violation by the Commission but it kept on repeating the same. A fine of Rs. 50,000 (Rupees fifty thousand) only each was also imposed on Appellant under section 22 of the Ordinance for the violation mentioned at serial (ii) and (iii). The Appellant was further directed to ensure that full compliance is



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made of all rules, regulations and directives of the Commission for avoiding any punitive action under the law.

4. The Appellant preferred the instant appeal against the Impugned Order. The representative of the Appellant argued that the trades were executed by the agent in order to generate commission. The representative of the Appellant admitted its mistake in not monitoring the activities of the agent and prayed that lenient view may be taken in the case.
5. The departmental representative averred that lenient view has already been taken as the violation was serious and repetitive and the Respondent did not suspend the license of the Appellant but instead imposed penalty which commensurates with the offence committed.
6. We have heard the parties. The Appellant has admitted the violation and has accepted the responsibility. The Commission is bound to protect the interest of the investor and in doing so it has been empowered to deal with elements which effect the smooth and fair functioning of the stock exchange. The Appellant by creating the false transaction may have induced other investors into buying the shares and may have indirectly caused loss to many other investors. The Respondent could have suspended the license of the Appellant under rule 8 (iv) of the Brokers Rules, however, a lenient view has already been taken by imposing penalty instead.

In view of the above, we see no reason to interfere with the Impugned Order the appeal is dismissed with no order as to cost.

  
(MR.SALMAN ALI SHAIKH)

Chairman

  
(S. TARIQ ASAF HUSAIN)

Commissioner (LD)

Announced on: 12.11.09