



Securities and Exchange Commission of Pakistan  
Securities Market Division  
Public Offering and Regulated Persons Department  
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No. 1(68)SMD/PRPD/PSX/2016

April 28, 2016

**Chief Executive Officer,**  
Best Securities (Pvt.) Limited,  
Room # 524, 5<sup>th</sup> Floor,  
Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

**Subject: Order in respect of Show Cause Notice dated April 07, 2016 Bearing Number 1(68)SMD/PRPD/PSX/2016**

Dear Sir,

Please find enclosed herewith a copy of order in the title matter for your record and necessary action.

Yours truly,

**Asima Wajid**  
Deputy Director (PRPD)

ORC  
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Through Courier

Before the Executive Director (PRPD)

In the matter of Show Cause Notice Issued to Best Securities (Pvt.) Limited

Date of Hearing

April 20, 2016

Present at the Hearing

Representing Best Securities (Pvt.) Limited

(i) Mr. Mehmood Rafi Khan

Authorized Representative

Assisting the Executive Director (PRPD)

(i) Mr. Nasir Askar

Director (PRPD)

(ii) Mr. Sabeel Ahmed

Management Executive (PRPD)

**ORDER**

This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(68) SMD/PRPD/PSX/2016 dated April 07, 2016 ("SCN") served to M/s Best Securities (Pvt.) Limited ("**Respondent**") by the Securities and Exchange Commission of Pakistan ("**Commission**") under section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**") and rule 8 of the Brokers and Agents Registration Rules, 2001. ("**Brokers Rules**")

2. Brief facts of the case are that the Commission ordered an onsite inspection of the Respondent who is a trading right entitlement certificate ("**TREC**") holder of the Pakistan Stock Exchange ("**PSX**") and registered with the Commission as a broker under Brokers and Agents Registration Rules, 2001 ("**Brokers Rules**").

3. The Inspection team submitted the report ("**Inspection report**") on January 12, 2016 which, *prima facie*, highlighted that the duly audited/verified NCB as on June 30, 2015 was overstated by Rs. 58.435 million (detailed below) in violation of the Securities and Exchange Rules, 1971 ("**SE Rules**").

(i) 400,000 shares of Al-Shaheer Corporation amounting to Rs. 38 million were included under the head "**Investment in Listed Securities**". However, these shares were not available in CDC account of the Respondent as on June 30, 2015.

(ii) Short term loans of Rs. 26.135 million obtained from the directors were not included in "**Other Liabilities**".

4. The Commission in light of the Inspection Report served a SCN to the Respondent under section 22 of the Ordinance and rule 8 of the Brokers Rules. Hearing in the matter of aforesaid SCN was scheduled on April 20, 2016. Mr. Mehmood Rafi Khan, authorized representative of the Respondent ("**Representative**") attended the hearing on behalf of Respondent. The written response to the SCN was received by the Commission on April 20, 2016. The following stance was taken by the Respondent in its written response to the SCN:

"1. The first contravention relates to the 400,000 shares of Al-Shaheer Corporation of Rs. 38 Million shown in "Investments in Listed securities." In reply to your observation we are attaching the duly audited statement of Net Capital Balance as at 30-6-2015, whereby the



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certifying auditor had expressly put the following note in the Statement of Net Capital Balance as follows

*"Investments include 400,000 shares of Al-Shaheer Corporation Ltd of Rs. 38 million allotted in favor of the company from IPO Book Building but not received in CDC House till June 30, 2015."*

*The reason these shares were not received by June 30, 2015 was that the Book Building Process had itself been done as late as on June 12, 2015. Subsequent to the balance sheet date the shares were transferred to the CDC Account on 12-08-2015. We believe that an adequate disclosure was made in this Certificate and hence the misreporting if any was not willful and deliberate attempt to hide the facts and figure or to contravene the provisions of the ordinance or rules and regulations made there under.*

2. The Second prime facie contravention relates to the Short Term Loan of Rs. 26.135 million obtained from director and not shown in other liabilities.

*You are correct in your observation that a director's loan was shown in the Unadjusted Trial Balance prepared by the accountant as on June 30, 2015. Actually this was the amount paid by directors as "Advance against Shares" which they proposed to issue subsequent to the Balance Sheet date. The accountant, being new and inexperienced did not realize that the amount was to be shown as Advance against Shares and not as director's loan. In the audited accounts as on June 30, 2015 also the amount was shown as Advance against Shares. To further prove the intention of the directors the company issued shares for the value of Rs. 9,904,000/- on 30-11-2015 and further Rs. 11,5250,000/- on 15-01-2016 (Both Form 3 are attached). The company intends to issue the balance shares before June 30, 2016.*

*The company is still in its infancy and formed on August 7, 2014. This was the first year of operation. In fact the actual business commenced much later in the first half of 2015 as can be seen from the low volume of transactions. The company endeavors to carry on clean and transparent business operation and to abide by the law. In the initial period due to lack of knowledge and expertise in the SECP rules and regulations the company may have unknowingly and unwillfully committed certain errors".*

5. The Representative during the hearing also adopted the above stated stance. In the end, the Representative assured that they would ensure compliance with the applicable laws, rules and regulations in letter and spirit.

6. I have heard the arguments presented by the Representative at length during the hearing. Additionally, I have perused the available record and written response filed by the Respondent.

7. With regard to overstatement of NCB by inclusion of shares of Al-Shaheer Corporation which were not available in the Respondent's CDC Account, I have perused the following records:

- (i) The NCB Certificate of the Respondent as of June 30, 2015.
- (ii) The CDC statement of the Respondent as of August 12, 2015.
- (iii) The record of this office pertaining to the book building and IPO of Al-Shaheer Corporation.



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As per record of the office, the book building of Al-Shaheer Corporation was held from June 10 to 11, 2015 and the public subscription was held from July 27 to July 29, 2015. With regard to delivery of shares to the shareholders, Al-Shaheer Corporation made an announcement in the newspapers on August 19, 2015 that the shares have been delivered to all the shareholders.

The Respondent had applied for 400,000 shares of Al Shaheer Corporation in the book building. The Respondent received the allotment letter on June 12, 2015 for payment of the remaining amount of Rs. 28 Million. The Respondent paid the amount on June 22, 2015 and thus became legal owner of 400,000 shares of Al Shaheer Corporation. The shares were subsequently transferred to the CDC Account of the Respondent on August 12, 2015. The following disclosure was made in the NCB certificate as of June 30, 2015 with regard to shares of Al-Shaheer Corporation:

*"Investments include 400,000 shares of Al-Shaheer Corporation Ltd of Rs. 38 million allotted in favor of the company from IPO Book Building but not received in CDC House till June 30, 2015."*

Keeping in view the facts that the shares were allotted to the Respondent, the Respondent made the requisite payments for the shares, the shares were subsequently deposited in the Respondent's CDC Account by Al-Shaheer Corporation and the appropriate disclosure was made by the Respondent in the NCB Certificate, I am of the view that the Respondent did not overstate its NCB.

8. With regard to overstatement of NCB by excluding short term loans of Rs. 26.135 million obtained from the directors, the Respondent informed that the short term loans were actually "Advance against Shares". The Respondent admitted that the amount was erroneously shown as "Short Term Loans" in the Trial Balance. However, the amount was correctly shown as "Advance against Shares" in the audited financials as of June 30, 2015. The Respondent further informed that shares have been issued against the "Advance against Shares" on November 30, 2015 and January 15, 2016. This fact has been verified from the record of the Company Registration Office, Karachi. In view of the above facts, I am of the view that the Respondent did not overstate its NCB.

9. Keeping in view the detailed observations at para 7 and 8 above, no overstatement of NCB has occurred and therefore the SCN proceedings are concluded.

10. This order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

**Announced on April 26, 2016**  
Islamabad.



**Asif Jaleel Bhatti**  
Executive Director (PRPD)