



# Securities and Exchange Commission of Pakistan

Securities Market Division

Public Offering and Regulated Persons Department

\*\*\*

File No. 1(62) SMD/LCID/KSE-2015-1847

March 15, 2016

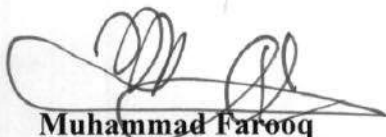
The Chief Executive Officer,  
**Fawad Yusuf Securities (Pvt.) Limited,**  
Room # 79, Old KSE Building,  
Karachi Stock Exchange Road,  
Karachi.

**Subject: Order in respect of Show Cause Notice dated December 3, 2015 Bearing Number 1(62) SMD/LCID/KSE-2015**

Dear Sir,

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

Yours truly,



**Muhammad Farooq**  
Additional Director (PRPD)

*Letter issued*

*Ah'ene*



# Securities and Exchange Commission of Pakistan

Securities Market Division  
Licensing and Capital Issue Department

## Before Director/HOD (LCID)

In the matter of Show Cause Notice issued under Section 22 of the Securities and Exchange Ordinance, 1969 to Fawad Yusuf Securities (Private) Limited

### ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(62) SMD/LCID/KSE-2015 dated December 3, 2015 ("**Notice**") served to Fawad Yusuf Securities (Private) Limited ("**Respondent**") by the Securities and Exchange Commission of Pakistan ("**Commission**") under Section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**"). The Respondent is Trading Right Entitlement Certificate Holder/Broker of the Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange) ("**PSX**") and registered as a broker with the Commission under the Brokers Rules.

2. The Commission in exercise of its powers under sub-section (1) of section 6 of the 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 *inter alia* the books and record required to be maintained by Respondent during the period from January 01, 2014 to December 31, 2014 vide order No. SMD-/MSRD-C&IW/(INS-KSE)(006)/2015 dated March 6, 2015.

3. The Inspection Team prepared the report ("**Inspection Report**") and the same was shared with the Respondent on June 30, 2015 in accordance with Rule 7 of the Inspection Rules.

4. The Inspection Team observed that the Respondent was non-complaint with the following regulatory framework:

Regulatory framework	Alleged Nature of irregularity
Securities and Exchange Rules, 1971 (SE Rules).	a) Net capital balance (" <b>NCB</b> ") of December 31, 2014 of Rs 3.194 billion was overstated by Rs 52 million. b) Non-provision of working of weekly NCB. c) Non-maintenance of books of account
Rule Book of PSX	a) Non-maintenance of Standardized Account Opening Form. b) Copies of cheques not maintained. c) Know your customer (" <b>KYC</b> ") and customer due diligence (" <b>CDD</b> ") d) Non-segregation of clients' assets. e) Non-registration of employees in into





# Securities and Exchange Commission of Pakistan

Securities Market Division  
Licensing and Capital Issue Department

53

	UIN database. f) No separate accounts from proprietary trading g) Non-collection of margins from its clients.
CDC Regulations	Discrepancies in Sub Account Opening Forms.

5. In light of observation made in the Inspection Report, the Commission served the SCN to the Respondent under Section 22 of the Ordinance and the Respondent was called upon through its Chief Executive Officer to show cause in writing as to why penalty may not be imposed under Section 22 of the Ordinance.

6. The Chief Executive Officer of the Respondent vide letter dated December 17, 2015 submitted his written response to the Notice.

7. In order to arrive at decision, I have gone through the observations made by the Inspections Team and submissions/comments submitted against each of the observation which may be summarized as under:

S#	Observation of Inspection Team	Response of the Respondent
1	Overstatement of NCB by Rs 52 million	The reported amount of investment after applying 15% haircut was Rs 3.307 billion and it was prepared by Rehman Sarfaraz Rahim Iqbal Rafiq & Co. Due to human error; the investment in listed securities was overstated by Rs 51.66 million. Keeping in view the above, lenient view may be taken.
2	Working of weekly reporting of net capital balance.	Keeping in view the requirement of PSX and our NCB of Rs 3.194 billion as on December 31, 2014, no action may be initiated on the observation.
3	Maintenance of books of account	We maintain all books of accounts and provided copies of ledgers and accounts to the inspection team for their review. If any further information is required, the same can be provided.
4	Maintenance of SAOF	All the observations have been rectified and lenient view may be taken
5	Copies of cheques	We have started maintaining copies of cheques since Jan 2015 and therefore lenient view may be taken.
6	KYC and CDD	The shortcomings noticed by the

NIC Building, Jinnah Avenue, Blue Area, Islamabad, Pakistan  
PABX: 9207091-94 (314), TEL: 92-51-9100478, FAX: 92-51-9100440

Page 2 of 3





# Securities and Exchange Commission of Pakistan

Securities Market Division  
Licensing and Capital Issue Department

		inspection team have been rectified.
7	Segregation of clients assets	Clients' assets have been fully segregated.
8	Separate account for proprietary trading	The violation has been rectified.
9	Risk Management Regulations	All clients properly deposit margins and without margins, no order id processed. The accounts identified belonged to a director and a close friend of CEO. The Commission may take a lenient view in the matter.
10	CDC Regulations	All the discrepancies have been rectified.

8. I have examined the observations made by the Inspection Team, comments submitted by the Respondent thereto. I have taken into account the penal actions initiated by the Commission against the Respondent in the past. In view of the above, I am not imposing any penalty on the Respondent. However, the Respondent is hereby advised to ensure strict compliance of regulatory framework, in future.

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



Nasir Askar  
Director/HOD(LCID)

Islamabad.  
Announced on January 19, 2016