



Securities and Exchange Commission of Pakistan

Securities Market Division
Public Offering and Regulated Persons Department

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File No. 1(63) SMD/LCID/KSE-2015

March 8, 2016

N.U.A Securities (Private) Limited,

Through its

Chief Executive Officer,

429-430, 4th Floor, Stock Exchange Building,

Stock Exchange Road,

Karachi.

Subject: Order under Section 22 of the Securities and Exchange Ordinance, 1969

Please find enclosed herewith a copy of Order dated January 19, 2016, passed by Director/HOD (LCID), under Section 22 of the Securities and Exchange Ordinance, 1969, for information and compliance.

2. Please acknowledge the receipt of this letter and Order.

Yours truly,

Muhammad Farooq
Additional Director (PRPD)

OR G.



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Securities Market Division
Licensing and Capital Issue Department

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Before Director/HOD (LCID)

In the matter of Show Cause Notice issued under Section 22 of the Securities and Exchange Ordinance, 1969 to N.U.A. Securities (Private) Limited

Date of Hearing	December 29, 2015
Present at hearing	
Representing the Respondent	(i) Mr. M. Aness Suriya, Manager Operation (ii) Mr. Aamir Farooq, Assistant Manager
Assisting the Director/HOD(LCID)	(i) Mr. Muhammad Farooq, Additional Director, (LCID-SMD) (ii) Mr. Muhammad Tanveer Alam Additional Director (SSED-SMD)

ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice No. 1(63) SMD/LCID/KSE-2015 dated December 3, 2015 ("**Notice**") served to N.U.A. 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 a Trading Right Entitlement Certificate Holder/Broker of the Pakistan Stock Exchange formerly Karachi Stock Exchange Limited ("**PSX**") and registered as a broker with the Commission under the Brokers and Agents Registration Rules, 2001 ("**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-/SSED-C&IW/INS-KSE(008)/2015 dated April 06, 2015.

3. The Inspection Team submitted the report ("**Inspection Report**") on October 5, 2015. Before submission of final report, the Inspection Team also shared its findings with the Respondent, in accordance with Rule 7 of the Inspection Rules. The Inspection Team observed that the Respondent was non-complaint with the provisions of Securities and Exchange Rules, 1971 (SE Rules), Rule Book of PSX and CDC Regulations.

4. In light of observation made in the Inspection Report, the Commission served the Notice 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.





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5. The Chief Executive of the Respondent vide letter dated December 14, 2015 submitted his written response to the Notice. The matter was scheduled for hearing on December 29, 2015 at head office of the Commission. Mr. Muhammad Anees Suriya, Manager Operation and Mr. Aamir Farooq, Assistant Manager of the Respondent, **(Authorized Representatives)** attended the hearing through video link at regional office of the Commission at Karachi.

6. The contentions submitted by Chief Executive of the Respondent in writing and verbally by the Authorized Representatives, during the course of hearing may be summarized as under;

(a) Calculation of NCB Certificate:- The Inspection Team observed that Respondent has not followed the prescribed treatments in respect of aging of trade receivables and securities of overdue clients. Resultantly, the NCB of the Respondent was understated Rs.0.678 million.

In response, the Respondent stated that all differences mentioned by the Inspection Team have been noted and the NCB as on June 30, 2015 has been calculated in accordance with guidelines given by SECP.

(b) Improper Maintenance of books of accounts: Inspection team observed that the CDC balances of 13 clients did not match with the record of back office.

In response, the Respondent commented that client's CDC balances have been reconciled with back office system.

(c) Non-maintenance of Standardized Account Opening Form: The Inspection Team noted that SAOFs of eleven clients were not properly filled.

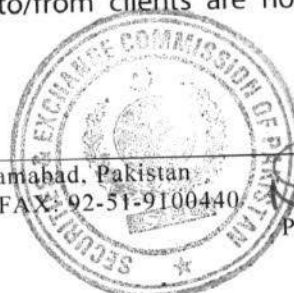
In Response, the Respondent stated that all account opening forms have been updated as per regulatory framework on the subject matter.

(d) KYC/CFT Policy and CDD policy: The Inspection Team noticed Respondent has duly approved policy of internal AML /CFT, but the same was not implemented. Besides, the Inspection Team observed that Respondent did not have system/MIS to ensure compliance with the respective Guidelines and monitoring of suspicious or unusual transactions.

The Respondent responded that KYC/CFT Policy and customer identification procedures are now duly implemented by the Board, while, Risk Management system and suspicious transactions Reporting systems are under the process of implementation.

(e) Segregation of Clients' assets by the brokers: The Inspections Team noticed that the Respondent was maintaining nine accounts for client's money, but, receipt and payments to/from clients were made through Respondent's own bank account instead of designated bank accounts relating to clients.

The Respondent stated that they have been maintaining segregations of clients account as per rules since March 2015. All payments/receipts to/from clients are now being transacted through clients account.





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(f) **Trading by broker's employees from other brokerage house:** Regulation 4.22.1 of PSX Rule Book provides that "TRE Certificate Holders may allow securities trading to their employees only through their own Brokerage houses." In this regard, the Inspection Team observed that two of the employees of Brokerage House Mr. Muhammad Moiz Muhammad Rafiq and Syed Irfan ul Haq are conducting trading through other brokerage houses.

The Respondent stated that the said persons were working with the Brokerage House temporarily and now have left the Brokerage House.

(g) **Registration of employees' UINs:** The Inspection Team noticed that the Brokerage House did not register its eight employees in UIN database, required to be maintained pursuant to regulation 4.22.2 of PSX Rule Book.

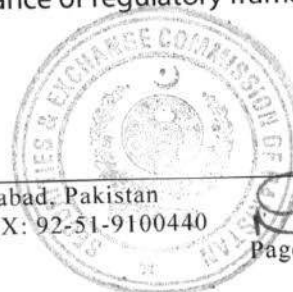
The Respondent stated that employees UIN has now been updated

(h) **Non-compliance of CDC Regulations:** The inspection team selected, on random basis, a sample of account holders and reviewed their sub account opening forms. During the said review the team noted that particulars relating to the name of employer/business and address of employer/business in the form of eleven clients were not mentioned.

In response to the observation, the Respondent stated that all discrepancies noticed by the Inspection Team have been recertified.

7. I have considered the submissions made in writing as well as verbally during the course of hearing and reviewed the record of this office. With regard to calculation of NCB, it is pointed out that Net Capital of the Respondent as at December 31, 2014 was Rs. 13,010,968. The Respondent has not followed the prescribed treatments in respect of aging of trade receivables and securities of overdue clients, which resulted into understatements of NCB by Rs.0.678 million. With regard to KYC and CDD, the Respondent should be aware of the fact that KYC and CDD are becoming much more important globally for preventing identity theft, financial frauds, money laundering and terrorist financing. The Respondent in its response has mentioned that the KYC and CDD policy has been implemented by the BOD. Similarly with regard to observation regarding segregation of client's assets, the Respondent has stated that now all payments/receipt to/from clients are being made transacted through client's accounts. Further the Respondent has rectified the procedural lapses pointed out by the Inspection Team.

8. I have examined the observations made by the Inspection Team, comments submitted by the Respondent thereto. The NCB of the Respondent is excess of the prescribed limit. The procedural lapses pointed out by the Inspection Team have been rectified by the Respondent and the Respondent has pledged to implement Risk Management and Suspicious Transactions Reporting System. I have taken into account the penal actions initiated by the Commission against the Respondent. In view of the above, I am not imposing any monetary penalty on the Respondent. However, the Respondent is hereby strictly advised to ensure strict compliance of regulatory framework, in future.



[Signature]
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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