



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

Nasir Javaid Maqsood Imran Chartered Accountants,
Office # 807, 8th Floor,
Q.M. House, Plot No.11/2,
Ellander Road, Opp. Shaheen Complex,
Off, I.I Chundrigar 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)

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Through Courier

Before the Executive Director (PRPD)

In the matter of Show Cause Notice Issued To Nasir Javaid Maqsood Imran & Co
Chartered Accountants

Date of Hearing

April 20, 2016

Present at the Hearing

Representing Nasir Javaid Maqsood Imran & Co
Chartered Accountants

(i) Mr. Muhammad Javaid Qasim

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 Nasir Javaid Maqsood Imran & Co Chartered Accountants ("**Respondent**") by the Securities and Exchange Commission of Pakistan ("**Commission**") under section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**").

2. Brief facts of the case are that the Commission ordered an onsite inspection of Best Securities (Pvt.) Limited ("**BSL**") 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**".

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4. The said NCB was duly audited/verified by the Respondent in terms of Clause 19.3.2 (c) of PSX Rule Book ("**Rule Book**") which provides that:-

(iii) *"The certificate shall specify that the Net Capital Balance calculated have been duly audited / verified by the auditor"*

5. The Commission in light of the above violation served a SCN to the Respondent under section 22 of the Ordinance. Hearing in the matter of aforesaid SCN was scheduled on April 20, 2016. Mr. Muhammad Javaid Qasim, partner and authorized representative of the Respondent (**Representative**) attended the hearing on behalf of Respondent through video conferencing from Karachi. The written response to the SCN was received by the Commission on April 17, 2016. The following stance was taken by the Respondent in its written response to the SCN:

"(i) The company has applied for IPO of 400,000 shares of Al Shaheer Corporation Limited. Allotment letter on behalf of company was received dated June 12, 2015 demanding balance payment of Rs. 28 Million.

(ii) The brokerage house paid balance of Rs. 28 Million on June 22, 2015 in favor of Al Shaheer Corporation Limited and thus completed the transaction for acquiring shares and become legal owner of shares of Al Shaheer Corporation Limited.

(iii) Delivery of shares were not received in the CDC house account till June 30, 2015. The said fact was disclosed by the NCB auditor by providing note in compliance with Para 3.3 of Guidelines to Third Schedule for preparation of NCB issued by SECP which states that

"Where shares owned by the brokerage house but not appearing in its House Account, disclosure will be required regarding sub account/investor account in the name of brokerage houses where said shares are available". (Copies of net capital balance certificate enclosed)".

(iv) The statutory auditors have shown it under short term investments as on June 30, 2015 and auditor issuing NCB is also agreed to this treatment as per law and accounting norms. The valuation has been taken at IPO price less 15% for NCB purpose. Since legal ownership of shares has been completed and guidelines allow taking those shares into investment by disclosing the relevant fact, there is no contravention of guidelines and rules issued by SECP.

(v) Observation (ii) Short term loans of Rs. 26.135 million obtained from the directors were not included in "Other Liabilities". The audited financial statements by M/s. Rafiq & Co. Chartered Accountants clearly show this amount as advance against share capital and not short term liability.

(vi) Subsequently brokerage house issued shares by converting above advance into paid up capital. The issuance of shares is conclusive evidence of amount being classified as part of equity and not short term loan as on June 30, 2015 by the statutory auditor and NCB auditor. Thus, the question of including above amount under other liabilities does not arise".

7. 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.



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

9. With regard to overstatement of NCB by inclusion of shares of Al-Shaheer Corporation which were not available in the BSL'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.

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.

BSL had applied for 400,000 shares of Al Shaheer Corporation in the book building. BSL had received the allotment letter on June 12, 2015 for payment of the remaining amount of Rs. 28 Million. BSL had 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 BSL on August 12, 2015. The following disclosure was made by the Respondent 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 BSL, BSL made the requisite payments for the shares, the shares were subsequently deposited in the BSL'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 no overstatement occurred in the NCB as of June 30, 2015.

10. 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 informed that the amount was 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 that no overstatement occurred in the NCB as of June 30, 2015.

11. Keeping in view the detailed observations at para 9 and 10 above, no overstatement of NCB has occurred and therefore the SCN proceedings are concluded.



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12. 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.



Asif Jalal Bhatti
Executive Director (PRPD)

Announced on April 26, 2016
Islamabad.