



# Securities and Exchange Commission of Pakistan

Securities Market Division  
Licensing and Capital Department

SECP

1(43)SMD/LCID)2015

November 10, 2015

Aba Ali Habib Securities (Private) Limited  
Through  
Chief Executive Officer,  
419-421, 4th Floor, Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

**SUBJECT: Prohibitory Order under Section 20 of the Securities and Exchange Ordinance, 1969.**

WHEREAS, Aba Ali Habib Securities (Private) Limited (the "**Brokerage House**") is a Trading Right Entitlement Certificate Holder of the Karachi Stock Exchange Limited ("**KSE**") and registered as a broker with the Securities and Exchange Commission of Pakistan ("**Commission**") under the Brokers and Agents Registration Rules, 2001 ("**Brokers Rules**").

2. WHEREAS, it has been observed from examination of the order level data of KSE, for the period starting from September 1, 2015 to October 9, 2015 (the "**Review Period**") revealed the following:

- (i) The Brokerage House was actively engaged in placing orders through its proprietary account and subsequently cancelling the majority of the orders in the scrip of Lotte Chemical Pakistan Limited (the "**Company**").
- (ii) Analysis of the order level data further indicated that the Brokerage House, during the Review Period, queued total 272 orders, for above 100,000 shares and out of these 272 orders, 256 orders (the "**Non-bona fide Orders**") were cancelled, in the following manner:

Total orders ("TO") placed for above 100,000 shares	Orders cancelled ("CO")	% CO of TO	Orders cancelled within 10 seconds ("CO-10s") of placing	% CO-10s of total CO	Orders cancelled within 5 seconds ("CO-5s") of placing	% CO-5s of total CO.
272	256	94 %	255	99 %	25	92 %



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- (iii) The above-mentioned data revealed that 94% orders, placed by the Brokerage House for above 100,000 shares were subsequently cancelled and 99% of the canceled orders were cancelled within ten seconds of the placing of the orders.
- (iv) Review of the orders placed for above 100,000 shares by all brokerage houses during the Review Period revealed that 263 orders were placed and cancelled. The orders placed and cancelled by the Brokerage House formed 97% of the total orders placed and cancelled.

3. WHEREAS, the above practice of placing such non bona fide orders, *prima facie*, is deceptive as it gives a false and misleading impression of active trading in the scrip.

4. WHEREAS, Rule 8(iv) and 12 read with Code of Conduct provided in the Third Schedule of the Brokers Rules provides that:

1. *Integrity- A broker shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.*
2. *Exercise of due skill and care- A broker shall act with due skill, care and diligence in the conduct of all his business.*
3. *Manipulation- A broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumors with a view to distorting market equilibrium or making personal gains.*
4. *Malpractices- A broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors' interest or which leads to interference with the fair and smooth functioning of the market. A broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.*

5. WHEREAS, being a registered broker with the Commission under the Brokers Rules, the Brokerage House is required to be conscious of its responsibilities, but its aforesaid practice of placing and thereafter cancelation of orders is tantamount to creating false market and/or artificial active trading, which is detrimental to fair and efficient market operations, and *prima facie* is in violation of the Broker Rules.



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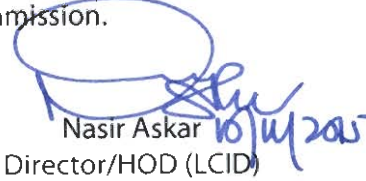
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6. NOW THEREFORE, in exercise of the powers conferred under section 20 of the Securities and Exchange Ordinance, 1969, the Brokerage House is directed to prohibit from indulging in such practices in future through its terminals and/or its proprietary account, because the same are not in line with the prevalent regulatory framework and constitute or is calculated to constitute inter alia contravention of SE Ordinance and rules made thereunder including Broker Rules. The text of section 20 of the SE Ordinance is reproduced hereunder for ease of reference:-

- (1) where the Commission is of opinion that any person is engaged or is about to be engaged in any act or practice which constitutes or is calculated to constitute a contravention of the provisions of this Ordinance or of any rules made thereunder, or that any person has neglected, or is not likely, to do an act the omission or failure to do which constitutes such contravention, it may, by order in writing, direct such person to abstain from doing the act or committing the practice which constitutes or is calculated to constitute such contravention, or to do the act, the omission or failure to do which constitutes such contravention.
- (2) Every person to whom a direction under sub-section (1) is given shall comply therewith in such manner, if any, and within such time, as may be specified therein.

7. The Brokerage House is further directed to ensure meticulous compliance of the rules and regulations, failing which the Commission shall be constrained to initiate necessary legal proceedings against the Broker.

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

  
Nasir Askar  
Director/HOD (LCID)  
Securities Market Division

Copy for information:  
Director/HOD(SSD)

