



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)
NIC Building, Jinnah Avenue, Blue Area, Islamabad
PABX: 9207091-4, Fax No. 9204915, Email: secphq@isb.paknet.com.pk.

Before the Joint Director (Securities Market Division)

In the matter of Show Cause Notice dated 15.07.2005

Issued to Sherman Securities (Pvt.) Ltd

Date of Hearing

3rd August 2005

Present at the Hearing:

Representing Sherman Securities (Pvt.) Ltd:

Mirza Mahmood Ahmad, Advocate

ORDER

1. The present matter arises out of a Show Cause Notice bearing No. SMD/SCN/4/2005 dated 15.07.2005 issued to Sherman Securities (Pvt.) Ltd., a Corporate Member of the Karachi Stock Exchange (G) Ltd. ("the Respondent").
2. Brief facts of this case are that between 01.03.2005 and 31.03.2005, the Respondent carried out 231 trades involving total 486,500 shares of Oil & Gas Development Company ("OGDC"), Pakistan Oil Field Limited ("POL"), Pakistan Petroleum Limited ("PPL"), Pakistan State Oil Limited ("PSO") and Pakistan Telecommunications Company Limited ("PTCL") through the Karachi Automated Trading System ("KATS") on behalf of 4 of its clients.
3. In the course of these trades, the Respondent purchased and sold, on behalf of the said 4 clients, 210,700 shares of OGDC, 200 shares of POL, 260,800 shares of PPL, 11,300 shares of PSO and 3,500 shares of PTCL. Each of these trades cancelled each other out with the effect that there was no change in the beneficial ownership of the shares.
4. The Securities and Exchange Commission of Pakistan (the "Commission") obtained the KATS data from the Karachi Stock Exchange (G) Ltd. ("KSE") for the relevant period, which revealed that during the month of March 2005 the Respondent had executed the following trades which cancelled each other out and did not result in change of beneficial ownership:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

DATE	CLIENT CODE	NAME OF SHARE	NUMBER OF SHARES	PERCHASE AND SALE RATE	TIME OF EXECUTION
7/03/2005	9226	OGDC-REG	10000	142.5	1040340022
7/03/2005	9226	OGDC-REG	5100	140.5	1140240025
8/03/2005	9226	OGDC-REG	10000	144.95	1206230043
8/03/2005	9226	OGDC-REG	100	145.05	1213480048
8/03/2005	9226	OGDC-REG	5800	145.7	1231510039
8/03/2005	9226	OGDC-REG	500	145.7	1231560063
9/03/2005	9226	OGDC-REG	19600	158.5	1120170055
9/03/2005	9226	OGDC-REG	100	158.5	1120180053
9/03/2005	9226	OGDC-REG	100	158.65	1121140093
9/03/2005	9226	OGDC-REG	100	158.65	1121190030
9/03/2005	9226	OGDC-REG	100	158.7	1136130032
9/03/2005	9226	OGDC-REG	1000	158.7	1137230018
9/03/2005	9226	OGDC-REG	2500	158.6	1142080032
9/03/2005	9226	OGDC-REG	500	158.6	1142090064
9/03/2005	9226	OGDC-REG	100	158.6	1142340063
9/03/2005	9226	OGDC-REG	100	158.7	1145530013
9/03/2005	9226	OGDC-REG	200	158.55	1148300003
9/03/2005	9226	OGDC-REG	500	159.15	1156360075
9/03/2005	9226	OGDC-REG	1200	158.75	1204540028
9/03/2005	9226	OGDC-REG	100	158.7	1204540029
9/03/2005	9226	OGDC-REG	1300	158.65	1208480002
9/03/2005	9226	OGDC-REG	200	158.65	1213460047
9/03/2005	9226	OGDC-REG	100	158.65	1213470022
9/03/2005	9226	OGDC-REG	100	158.65	1214170022
9/03/2005	9226	OGDC-REG	100	158.6	1216160040
9/03/2005	9226	OGDC-REG	100	158.6	1216220040
9/03/2005	9226	OGDC-REG	100	158.6	1216440003
9/03/2005	9226	OGDC-REG	700	158.6	1216470009
9/03/2005	9226	OGDC-REG	100	158.6	1216580052
9/03/2005	9226	OGDC-REG	2600	158.5	1219580029
9/03/2005	9226	OGDC-REG	100	158.3	1227040009
9/03/2005	9226	OGDC-REG	1800	158.5	1231520014
9/03/2005	9226	OGDC-REG	3800	158.5	1231520015
9/03/2005	9226	OGDC-REG	500	158.7	1236350007
9/03/2005	9226	OGDC-REG	100	158.85	1412530012
10/03/2005	9226	OGDC-REG	100	164.9	1036290074
10/03/2005	9226	OGDC-REG	100	164.9	1036310038
10/03/2005	9226	OGDC-REG	100	164.9	1036330011
10/03/2005	9226	OGDC-REG	100	165.3	1108040002
10/03/2005	9226	OGDC-REG	4500	165.1	1117240034
10/03/2005	9226	OGDC-REG	100	165.5	1126290044



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

10/03/2005	9226	OGDC-REG	100	165.45	1128140033
10/03/2005	9226	OGDC-REG	100	165.5	1129410039
10/03/2005	9226	OGDC-REG	300	166.3	1136370005
10/03/2005	9226	OGDC-REG	100	165.3	1303080003
10/03/2005	9226	OGDC-REG	100	162	1348020024
16/03/2005	9226	OGDC-REG	5000	192.4	1233580019
17/03/2005	9226	OGDC-REG	16600	178	1031300014
21/03/2005	9226	OGDC-REG	8000	160.2	947420008
29/03/2005	0121	OGDC-REG	100000	123.55	1050160019
29/03/2005	9226	OGDC-REG	500	123.55	1106290007
30/03/2005	9226	OGDC-REG	3000	126.8	1318310034
4/03/2005	9226	POL-REG	100	344.5	1018300026
4/03/2005	9226	POL-REG	100	344.5	1018550002
1/03/2005	9226	PPL-REG	100	251.75	1000350008
1/03/2005	9226	PPL-REG	100	251.75	1000510077
1/03/2005	9226	PPL-REG	3900	251.5	1027300053
2/03/2005	9226	PPL-REG	100	266	1020430090
2/03/2005	9226	PPL-REG	100	264.9	1027090014
2/03/2005	9226	PPL-REG	100	264.4	1033270005
4/03/2005	9226	PPL-REG	25000	272.1	948190005
7/03/2005	9226	PPL-REG	100	269.05	954130055
7/03/2005	9226	PPL-REG	100	263	1154510092
7/03/2005	9226	PPL-REG	400	265.4	1213030038
7/03/2005	9226	PPL-REG	100	265.4	1213480010
7/03/2005	9226	PPL-REG	100	265.4	1213510054
7/03/2005	9226	PPL-REG	100	266.95	1238510057
7/03/2005	9226	PPL-REG	100	263.7	1326060043
7/03/2005	9226	PPL-REG	100	263.5	1351350011
7/03/2005	9226	PPL-REG	5000	261	1414190027
8/03/2005	9226	PPL-REG	100	258.6	1014380047
8/03/2005	9226	PPL-REG	100	255	1034370066
8/03/2005	9226	PPL-REG	100	256	1043010018
8/03/2005	9226	PPL-REG	300	256.5	1054280044
8/03/2005	9226	PPL-REG	9800	257.9	1101020040
8/03/2005	9226	PPL-REG	3100	258	1102160049
8/03/2005	9226	PPL-REG	5000	261.8	1106460023
8/03/2005	9226	PPL-REG	5000	261.5	1106470039
8/03/2005	9226	PPL-REG	30000	261.1	1107370052
8/03/2005	9226	PPL-REG	100	263	1301040039
8/03/2005	9226	PPL-REG	100	263	1301220009
8/03/2005	9226	PPL-REG	100	263.5	1304430026
8/03/2005	9226	PPL-REG	100	264.85	1310130031
8/03/2005	9226	PPL-REG	600	263.5	1331100042
9/03/2005	9226	PPL-REG	100	282.9	1022260023
9/03/2005	9226	PPL-REG	100	281.05	1039460048



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

9/03/2005	9226	PPL-REG	100	281.5	1042260055
9/03/2005	9226	PPL-REG	100	281.5	1044290002
9/03/2005	9226	PPL-REG	100	281.55	1046370112
9/03/2005	9226	PPL-REG	100	284	1057350005
9/03/2005	9226	PPL-REG	100	284.75	1100310005
9/03/2005	9226	PPL-REG	100	284.7	1101040040
10/03/2005	9226	PPL-REG	100	297.1	1108300046
10/03/2005	9226	PPL-REG	100	297.5	1109090029
10/03/2005	9226	PPL-REG	100	298.45	1109300008
10/03/2005	9226	PPL-REG	3700	299.1	1221150035
11/03/2005	9226	PPL-REG	5000	298	1131310064
11/03/2005	9226	PPL-REG	100	297.4	1134210015
11/03/2005	9226	PPL-REG	1900	297.4	1134380040
11/03/2005	9226	PPL-REG	100	296.5	1134490061
11/03/2005	9226	PPL-REG	100	297	1135420007
11/03/2005	9226	PPL-REG	100	297	1135510023
11/03/2005	9226	PPL-REG	100	297	1135540080
11/03/2005	9226	PPL-REG	1000	297.1	1136180007
11/03/2005	9226	PPL-REG	900	297.1	1136200015
11/03/2005	9226	PPL-REG	100	297.1	1136320002
11/03/2005	9226	PPL-REG	100	297	1136320003
11/03/2005	9226	PPL-REG	3000	297	1136490055
11/03/2005	9226	PPL-REG	100	296.5	1137430034
11/03/2005	9226	PPL-REG	100	298	1158110047
11/03/2005	9226	PPL-REG	100	298.5	1432030054
11/03/2005	9226	PPL-REG	100	298.95	1439050054
11/03/2005	9226	PPL-REG	100	295.5	1514550047
11/03/2005	9226	PPL-REG	100	295.5	1515160018
11/03/2005	9226	PPL-REG	100	295.6	1515380050
11/03/2005	9226	PPL-REG	100	296.5	1516560037
11/03/2005	9226	PPL-REG	100	296.9	1518470051
11/03/2005	9226	PPL-REG	5000	295.5	1526520034
11/03/2005	9226	PPL-REG	100	295.6	1541300015
11/03/2005	9226	PPL-REG	17900	302	1555140008
14/03/2005	9226	PPL-REG	100	307.2	1110500019
14/03/2005	9226	PPL-REG	100	308.5	1208080020
14/03/2005	9226	PPL-REG	100	307	1258130033
14/03/2005	9226	PPL-REG	100	306.8	1408010050
14/03/2005	9226	PPL-REG	100	307	1412400078
14/03/2005	9226	PPL-REG	100	306	1414090071
15/03/2005	9226	PPL-REG	7100	308.75	948020049
15/03/2005	9226	PPL-REG	17500	307.5	954290072
15/03/2005	9226	PPL-REG	25100	306.5	957470032
15/03/2005	9226	PPL-REG	100	313.9	1021390051
15/03/2005	9226	PPL-REG	2000	312.7	1032310095



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

15/03/2005	9226	PPL-REG	100	313	1036210071
15/03/2005	9226	PPL-REG	20000	315.5	1041520013
15/03/2005	9226	PPL-REG	100	312.5	1124050027
15/03/2005	9226	PPL-REG	100	312.8	1130040028
15/03/2005	9226	PPL-REG	100	311.5	1137060038
15/03/2005	9226	PPL-REG	100	311.5	1137140082
15/03/2005	9226	PPL-REG	100	311.5	1137260031
15/03/2005	9226	PPL-REG	100	311.5	1137320049
15/03/2005	9226	PPL-REG	25100	311.9	1205440008
15/03/2005	9226	PPL-REG	100	312	1220250007
15/03/2005	9226	PPL-REG	100	312	1220310024
15/03/2005	9226	PPL-REG	100	312	1220320044
15/03/2005	9226	PPL-REG	100	312	1220340021
15/03/2005	9226	PPL-REG	100	312.5	1220510047
15/03/2005	9226	PPL-REG	1000	313	1224110056
15/03/2005	9226	PPL-REG	100	312.65	1252590040
15/03/2005	9226	PPL-REG	100	312.8	1253200025
15/03/2005	9226	PPL-REG	100	312.8	1253280057
15/03/2005	9226	PPL-REG	100	314	1347300005
15/03/2005	9226	PPL-REG	100	314.05	1356410054
15/03/2005	9226	PPL-REG	3700	314.5	1402510056
16/03/2005	9226	PPL-REG	100	306.05	1116570008
16/03/2005	9226	PPL-REG	1900	307	1128120066
16/03/2005	9226	PPL-REG	3600	300.25	1301560022
17/03/2005	9226	PPL-REG	100	286	1008590002
18/03/2005	9226	PPL-REG	100	280	937040051
18/03/2005	9226	PPL-REG	100	280	937230046
18/03/2005	9226	PPL-REG	300	286	1057020061
18/03/2005	9226	PPL-REG	100	286	1057350055
18/03/2005	9226	PPL-REG	100	286.55	1058590076
18/03/2005	9226	PPL-REG	100	286.55	1059120037
18/03/2005	9226	PPL-REG	100	286.65	1100170014
18/03/2005	9226	PPL-REG	700	286.1	1112490048
18/03/2005	9226	PPL-REG	100	288	1115220043
18/03/2005	9226	PPL-REG	100	288	1115590053
18/03/2005	9226	PPL-REG	100	290.1	1448250023
18/03/2005	9226	PPL-REG	100	277	1539490054
21/03/2005	9226	PPL-REG	100	265.9	959390021
21/03/2005	9226	PPL-REG	100	265.9	959470022
21/03/2005	9226	PPL-REG	200	263.8	1037270030
21/03/2005	9226	PPL-REG	5000	267.5	1044410048
21/03/2005	9226	PPL-REG	100	268	1056390002
21/03/2005	9226	PPL-REG	100	267.6	1102270025
21/03/2005	9226	PPL-REG	100	261.05	1141450007
21/03/2005	9226	PPL-REG	100	261.75	1205250008



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

21/03/2005	9226	PPL-REG	100	261.05	1209560028
21/03/2005	9226	PPL-REG	100	261.1	1210130012
21/03/2005	9226	PPL-REG	100	261.1	1210210013
21/03/2005	9226	PPL-REG	100	261.7	1219070012
21/03/2005	9226	PPL-REG	100	261.7	1219140002
29/03/2005	9226	PPL-REG	100	218	1328270022
30/03/2005	9226	PPL-REG	2300	228.9	957590016
30/03/2005	9226	PPL-REG	100	228	1001430014
30/03/2005	9226	PPL-REG	100	224.85	1022460005
30/03/2005	9226	PPL-REG	100	223.5	1028450005
30/03/2005	9226	PPL-REG	100	223.7	1028570028
30/03/2005	9226	PPL-REG	100	223.5	1029420009
30/03/2005	9226	PPL-REG	500	224.65	1042270027
30/03/2005	9226	PPL-REG	2000	224.7	1042290029
30/03/2005	9226	PPL-REG	900	229.45	1056360026
30/03/2005	9226	PPL-REG	100	234.7	1237070005
30/03/2005	9226	PPL-REG	100	235.75	1247540009
30/03/2005	9226	PPL-REG	100	236	1410300040
31/03/2005	9226	PPL-REG	100	232	1018470018
31/03/2005	9226	PPL-REG	100	233.2	1042110049
31/03/2005	9226	PPL-REG	200	233.2	1042300006
31/03/2005	9226	PPL-REG	100	233.5	1043250035
31/03/2005	9226	PPL-REG	100	233.5	1043280027
31/03/2005	9226	PPL-REG	100	233.5	1043340028
31/03/2005	9226	PPL-REG	100	233.7	1113420025
31/03/2005	9226	PPL-REG	100	233.7	1114040006
31/03/2005	9226	PPL-REG	100	234.1	1115310018
31/03/2005	9226	PPL-REG	100	233.65	1115520005
31/03/2005	9226	PPL-REG	100	233.65	1116120016
31/03/2005	9226	PPL-REG	100	234.3	1116460056
31/03/2005	9226	PPL-REG	100	234	1119580005
31/03/2005	9226	PPL-REG	100	233.95	1120430034
31/03/2005	9226	PPL-REG	100	233.55	1122400034
31/03/2005	9226	PPL-REG	100	233.5	1123090016
31/03/2005	9226	PPL-REG	100	233.5	1123200025
31/03/2005	9226	PPL-REG	1100	233.5	1148260016
31/03/2005	9226	PPL-REG	2000	233.6	1148400044
31/03/2005	9226	PPL-REG	100	233.6	1150320011
31/03/2005	9226	PPL-REG	100	228.1	1203450014
14/03/2005	31	PSO-REG	9500	482	1111000032
21/03/2005	9226	PSO-REG	100	444.1	1156480005
24/03/2005	9226	PSO-REG	100	402.5	1032070003
28/03/2005	4210	PSO-REG	100	385.5	1029130011
29/03/2005	9226	PSO-REG	100	346.55	1003440015
29/03/2005	9226	PSO-REG	100	345.95	1022350007



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

29/03/2005	9226	PSO-REG	100	344.9	1028340003
29/03/2005	9226	PSO-REG	100	345.7	1105480017
29/03/2005	4210	PSO-REG	1000	366.9	1207140006
30/03/2005	9226	PSO-REG	100	415	1136550045
4/03/2005	9226	PTC-REG	1500	75	1137480015
8/03/2005	9226	PTC-REG	500	84.6	1322320042
31/03/2005	9226	PTC-REG	500	75.55	1034390012
31/03/2005	9226	PTC-REG	500	75.55	1034520008
31/03/2005	9226	PTC-REG	500	71.4	1226250061

5. In view of the preceding a Show Cause Notice was issued to the Respondent on 15.07.2005, detailing the aforesaid facts and asking it as to why action should not be initiated against it under Section 17 of the Securities and Exchange Ordinance 1969 (“the Ordinance”) and the Brokers and Agents Registration Rules, 2001 (“the Rules”). A copy of the KATS data was also sent to the Respondent in order to allow it an opportunity of answering the same. The Respondent was asked to submit a written reply with in 5 days from the date of the Show Cause Notice and the hearing was fixed in Islamabad for 03.08.2005.
6. The Respondent submitted a written reply to the Show Cause Notice on 26.07.2005 and also appeared in person through its authorized representative Mirza Mahmood Ahmad, Advocate. The main points raised by the Respondent in its written reply and in the course of hearing were as follows:
- (a) It is apparent from the Show Cause Notice that the Commission has only picked certain isolated transactions from the entire record of the trading account of the clients and the scrutiny of the clients trading record has not been done on the basis of a certain criteria.
- (b) The clients’ accounts in question are trading/arbitrage accounts and in such accounts, as opposed to trading in delivery accounts, the investor takes split second decision for buying and selling of various scrips. For this reason there is possibility that the position in such accounts may stand squared at the end of the day.
- (c) The Respondent stated that it traded on behalf of its clients, in their accounts, in both future and ready market. The trading in both ready and future market is most likely to result in squaring of a clients’ position in certain scrips. However it certainly does not involve any illegality and there cannot possibly be any such intention when the accounts are not delivery accounts.
- (d) The record of the clients accounts shows massive trading on each particular day involving buying and selling of hundreds of shares. The transactions in question form



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

far less than even 1% of the daily trading in the said accounts. Therefore it is highly improbable that the clients could gain any huge advantage in such a minimal number of transactions. Further it is possible in some cases that an order may be cancelled out with another order previously placed by the same client.

- (e) The record annexed with the Show Cause Notice itself shows that the Client purchased and sold OGDCL, POL, PPL, PTCL and PSO on various dates and on different rates. This clearly shows that the sole objective of the client was to earn little profit on each of the many transactions they carried out. This trend shows that there was no intention on the part of the Respondent or its client to keep beneficial ownership of a few thousand shares of the above-mentioned scrips.
- (f) During the period in question hundreds or millions of shares of OGDCL, POL, PPL, PTCL and PSO were traded on the Stock Exchange. In such a scenario it is highly improbable that the Respondent or any of its clients could gain any illegal or undue advantage from squaring the trade of a few thousand shares of any particular scrip.
- (g) Further, the Respondent pleaded during the hearing, that the market cannot be manipulated with such a low trade volume, particularly in the case of shares in question as these shares were already being traded heavily during the month of March, 2005.
- (h) He further asserted that Section 17 read with Section 22 of the Ordinance entails penal actions. Therefore under the general principal of the law the two Sections read together only come into play when the acts prohibited under Section 17 are done by a person with mala fide intention to commit fraud. The explanations given through written reply and during the hearing clearly shows that these transactions were not executed intentionally/with mala fide intentions.

7. On the basis of the aforesaid the Respondent requested that the Show Cause Notice be withdrawn as it had not violated any of the provisions of the Ordinance, including Section 17 of the Rules. The trades were not executed to mislead or manipulate the market price of the shares and in any event constituted a very small part of the total trades executed on those dates and therefore were not capable of manipulating the market.

8. I have heard the views and contentions of the Respondent at length after carefully examining the record, I find that the following issues arise out of this matter:

- (a) Whether the acts of commission and omission as alleged against the Respondent constitute a breach of Rules? If so, up to what extent?



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

(b) What should the order be?

Each of these issues has been examined seriatim:

(a) Whether the acts of commission and omission as alleged against the Respondent constitutes a breach of Rules? If so, up to what extent?

9. In the course of its written as well as oral contentions, the Respondent has neither generally nor specifically denied the fact of carrying out all 231 trades detailed in the Show Cause Notice. However the Respondent has pleaded that these trades were executed as a result of high volume of trading done by the clients and were not executed in order to manipulate the market price. Further it has been contended that these trades constitutes a very nominal percentage of total volume traded on those days, therefore cannot in any way effect the market price resulting in any benefit to the clients or Respondent.
10. The plea of the Respondent that the transactions in question have been selected without any criteria is not correct as the data annexed to the Show Cause Notice has been selected on the criteria where the buyer and the seller is the same and the transaction has cancelled each other out without any change of beneficial ownership. Further it has been asserted by the Respondent that the trades given in the Show Cause Notice constitute a nominal percentage of the total traded volume in particular scrips on a particular day. Therefore cannot in any way affect the market price of shares. Whereas, the fact is that these trades did become the part of over all trading volume and such trades gave a false impression of active trading in these scrips at the time of execution.
11. The contention of the Respondent that the trading in both “Ready” and “Future” markets is most likely to result in squaring of a client’s position in certain scrips does not hold ground as both the markets are different and a trade in “Future” market cannot be cancelled out with another trade in “Ready” market and vice versa. Furthermore the Respondent was asked during the hearing to identify the transactions which relate to “Future” and “Ready” markets and that cancelled each other out. The Respondent showed inability to identify the same from the KATS data.
12. It is evident from the relevant KATS data obtained from KSE, (which has not been disputed by the Respondent) that aforesaid trades did not result in the change in beneficial ownership of these shares. However, such trading activity interferes with the fair and smooth functioning of the market due to the fact that it gives the impression of shares being traded in the market when in fact throughout the trades the shares remain in the possession of the same person. The



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

interest of the investor suffer in turn due to the fact that they receive a false impression of trading in the market which influences their financial decision to invest or trade in the market.

13. Further the plea of the Respondent that it is possible in some cases that a particular order may be squared up with another order previously placed in the ready market, by the same client on the same day, is not acceptable as it was the duty of the Respondent to inform the client about his unexecuted orders and abstained from placing the new order in the KATS. Moreover, the occurrence of series of transactions which cancelled each other out is not merely a coincidence instead it is an act of sheer negligence on the part of the Respondent. This clearly shows that the Respondent did not at all times maintain high standards of integrity, promptitude and fairness in the conduct of all its transactions as required under the Code of Conduct prescribed in the Third Schedule to the Rules.
14. In engaging in and allowing trading in the ready market merely for the purpose of creating a false impression of trading activity in particular scrips, is not only contrary to high standards of integrity but is also improper, dishonorable, disgraceful and contrary to law.
15. It is evident from the facts detailed above that the Respondent has failed to follow the requirements of the Code of Conduct prescribed for brokers in that by executing and permitting to execute trades which cancelled each other out and did not result in the transfer of beneficial ownership, it has indulged in acts which have interfered with the fair and smooth functioning of the market to the detriment of the interest of investors.
16. In failing to ensure that a proper system was in place to avoid repeated occurrence of these trades where buy and sell orders by the same client cancel out each other, the Respondent has failed to act with due skill, care and diligence in the conduct of its business. Consequently, the Respondent has failed in its duty to maintain high standards of integrity, promptitude and fairness in the conduct of all its business and has in fact indulged in dishonorable, disgraceful and improper conduct on the Stock Exchange and has therefore acted in gross and blatant violation of Rule 8(iv) read with Rule 12 of the Rules.

(b) *What should the order be?*

17. The Respondent has acted contrary to provisions 1, 2, 4 and 5 of the Code of Conduct prescribed for the broker in the Rules in violation of Rule 8(iv) read with Rule 12 of the Rules. The violation of the Rules is a serious matter which entitles to suspend the Respondent's license; however, I have elected not to exercise this power at present. Therefore in exercise of the powers under Rule 8(b) of the Rules, I hereby impose on the Respondent, the penalty of Rs.100,000.00 (Rupees One hundred thousand). This sum of Rs. 100,000.00 should be



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

(Securities Market Division)

deposited in the account of the Commission being maintained in the designated branches of Habib Bank Ltd., no later than thirty (30) days from the date of this Order. A copy of the Challan form evidencing the deposit of penalty amount must be sent to the Commission.

18. In addition to the aforesaid, I hereby direct the Respondent to abstain from buying and selling of shares in a manner that these do not result in a change in the beneficial ownership of the shares failing which action will be taken against him in accordance with law.
19. 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.

Ikram Ul Haque

Joint Director (SM)

Date of Order: 23.08.2005