



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	Continental Capital Management (Private) Limited
Number and date of Show Cause Notice:	No.2(157)SMD/Adj-1/2019-314 dated June 25, 2024
Respondent:	Continental Capital Management (Private) Limited
Date(s) of Hearing(s):	(i) August 22, 2024; (ii) October 02, 2024; (iii) November 27, 2024; and (iv) December 20, 2024
Case Represented by:	No One Appeared.
Provision of Law Involved:	Circular No.02 of 2021 dated January 28, 2021 read with regulation 36(1) of Securities Broker (License and Operations) Regulations, 2016, regulation 16(1)(n) & (q) and clauses 9(a)(ii) & (iii) and clause 10 of Annexure-D read with regulation 16(1)(f) thereof and Section 150(2) of the Securities Act, 2015

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission"), through Show Cause Notice No.2(157)SMD/Adj-1/2019-314 dated June 25, 2024 (the "SCN") issued under Circular No.02 of 2021 dated January 28, 2021 (the "Circular") read with sub-regulation (1) of regulation 36 of the Securities Broker (License And Operations) Regulations, 2016 (the "Regulations"), sub-regulation (1)(n) & (q) of Regulation 16 and clause 9(a)(ii) & (iii) and clause 10 of Annexure-D read with sub-regulation (1)(f) of Regulation 16 of the Regulations read with Section 150(2) of the Securities Act, 2015 (the "Act"), against the Continental Capital Management (Pvt.) Limited (the "Respondent").

2. Brief facts of the case are that an offsite review was conducted of the Respondent's annual audited financial statements for the year ended June 30, 2023 (the "Annual Audited Accounts, 2023"), along with other related information and records available with the Commission. During the review, it was observed that:

- (i) The reports / statements namely (a) *Director's Report* and (b) *a statement by the Chief Executive Officer (CEO)* that there are no transactions entered into by the broker during the year, which are fraudulent, illegal, or in violation of any securities market laws were not annexed with the Annual Audited Accounts, 2023 as per the requirements of clause 9 (a)(ii) and (iii) of Annexure-D read with sub-regulation (1)(f) of Regulation 16 of the Regulations; thereby resulting in violation of the said provisions of the Regulations.
- (ii) The Respondent also failed to include a statement of compliance with the Code in its Annual Audited Accounts, 2023 as required under Clause 10 of Annexure-D read with sub-regulation (1)(f) of Regulation 16 of the Regulations. This omission was observed in the Annual Audited Accounts 2023 filed by the Respondent with the Commission, therefore, was a violation of the requirement of Clause 10 of the afore stated provisions.
- (iii) In terms of provisions of the Circular issued under sub-regulation (1) of Regulation 36 of the Regulations, the securities brokers are required to submit their Standard Trial Balance Reports (the "Reports and /or STBR") into the system on SECP's BLASR portal/PSX TREC Holder Financial Information Portal on monthly basis. However, it

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was noted that the Respondent did not file a single STBR on the BLASR portal/ PSX TREC Holder Financial Information Portal for the months starting from January 2022 till April 2024 (the "Period"). Further, the compliance history of the Respondent in the instant filing matter is also not good as the Respondent was already penalized vide the Commission's Order dated January 27, 2023 for non-filing of monthly STBR in the months of year 2021.

(iv) The Respondent was not maintaining a functional and accessible website at <https://www.Concap.co/> in violation of the requirement of sub-regulation (1)(q) of the Regulation 16 of the Regulations.

(v) the Respondent was also not a member of the Pakistan Securities Brokers Association of Pakistan ("PSBA") in violation of the requirement of sub-regulation (1)(n) of regulation 16 of the Regulations.

3. In order to probe the aforesaid non-compliances, the Commission, vide email dated December 27, 2023, directed the Respondent to provide explanations for the identified non-compliances by January 10, 2024. In response, the Respondent, through its email dated January 10, 2024, requested an extension until January 12, 2024. However, despite the issuance of a reminder email on April 23, 2024, the Respondent subsequently failed to provide any response.

4. In view of above, the Respondent had, *prima facie*, not complied with the requirements of the Circular read with sub-regulation (1) of the Regulation 36 of the Regulations, sub-regulation (1)(n)&(q) of Regulation 16 and clauses 9(a)(ii) & (iii) and 10 of Annexure-D read with sub-regulation (1)(f) of Regulation 16 of the Regulations, which attracts penal actions under sub-section (2) of Section 150 of the Act. The same are reproduced as under:

"Regulation 16(1)(f)(n) & (q) of the Regulations

16. Duties and obligations of a securities broker. - (1) In addition to the requirements provided under the Act and the Futures Act and any other rules or regulations made thereunder, a securities broker shall:

(f) abide by the Corporate Governance Code provided in Annexure D;

(n) maintain membership of an association of securities brokers which is approved by the Commission and abide by the code of conduct specified by such association at all times;

(q) maintain a functional and accessible website as per requirements prescribed by the Commission...

Clause 9 (a)(ii) and (iii) of Annexure-D

Clause 9. Corporate and financial reporting framework a) Not later than four months from the close of the financial year, all securities brokers shall prepare and circulate an Annual Report to the Commission and the securities exchange. The Annual Report shall contain the following:

ii) Directors' Report;

iii) A statement by the CEO that there are no transactions entered into by the broker during the year, which are fraudulent, illegal or in violation of any securities market laws.

Clause 10 of Annexure-D

Clause 10. Statement of Compliance with the Code- All securities brokers, except listed securities brokers, shall publish a statement of compliance with this Code in their Annual Reports.

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Regulation 36(1) of the Regulations

36. *Submission of information and returns.* - (1) *The Commission may by written notice require a securities broker to submit to the Commission such information or periodic returns as it may require. [as required by Circular No. 2 of 2021 dated January 28, 2021].*

Section 150(2) of the Act

(2) *Subject to section 151, where a licensed person is or was at any time, guilty of misconduct, the Commission may make one or more of the following orders, separately or in addition to any power exercisable under clause (i), (ii) or (iii) of sub-section (1) that the licensed person shall pay to the Commission by way of penalty such sum,—*

(a) not exceeding fifty million rupees;”

5. Taking cognizance of the matter, the SCN was issued to the Respondent to show the cause in writing as to why a penal action may not be taken against it for non-compliance with the aforementioned provisions of law. However, the Respondent failed to submit any reply to the SCN.

6. In order to provide opportunity of personal representation, hearings in the matter was fixed for August 22, 2024, October 2, 2024 and November 27, 2024. However, the Respondent failed to appear. Simultaneously, earnest efforts were made to contact the Respondent via telephone calls; but the Respondents failed to appear at any of the scheduled hearings.

7. In order to conclude the matter and to meet the ends of justice in a bona-fide manner a final hearing was scheduled for December 20, 2024, with clear instructions that no further adjournments will be allowed and in the case of non-appearance, an appropriate ex-parte order shall be passed on merit. Despite the same, the Respondent, unfortunately, failed to join the proceedings.

8. I have gone through the facts of the case, relevant provisions of the Regulations and the Act and the record placed before me. At this juncture, it is imperative to address the following factual and legal elements:

(i) The reports / statements namely (a) **Director’s Report** and (b) **a statement by the CEO that there are no transactions entered into by the broker during the year, which are fraudulent, illegal, or in violation of any securities market laws,** were not annexed with the Annual Audited Accounts, 2023 which serve as a critical disclosure by the BOD and the CEO, especially in ensuring that a continuous compliance system/mechanism is in place to avoid fraudulent and violative activities.

(ii) The Respondent failed to include a statement of compliance with the Code in their Annual Audited Accounts, 2023 which serves as a key element of overall governance framework for the licensed entity.

(iii) In terms of provisions of the Circular under sub-regulation (1) of Regulation 36 of the Regulations, wherein the securities brokers are required to submit their Reports and /or STBR into the system on SECP’s BLASR portal/PSX TREC Holder Financial Information Portal on monthly basis. However, it was noted that the Respondent did not file a single STBR on the BLASR portal/ PSX TREC Holder Financial Information Portal for the months starting from the Period. Such failure has resulted in completely compromising the purpose of the reporting requirements which demand regular/periodic disclosures to ensure that the overall market activity remains within the bounds of transparency and fairness.

(iv) Further, the compliance history of the Respondent also shows noncompliance as the Respondent was also earlier penalized for non-filing of monthly STBR in the months of year

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2021. The pattern shows a tendency of non-compliance and lack of intent to adhere to the regulatory requirements.

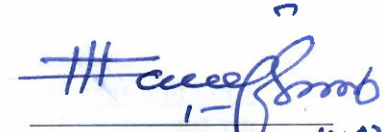
(v) The Respondent is not maintaining a functional and accessible website at <https://www.Concap.co/> in violation of the requirement of sub-regulation (1)(q) of the Regulation 16 of the Regulations.

(vi) The Respondent is not a member of the Pakistan Securities Brokers Association of Pakistan ("PSBA") in violation of the requirement of sub-regulation (1)(n) of Regulation 16 of the Regulations.

9. It is important to observe that despite multiple hearing opportunities the Respondent failed to participate in the proceedings or submit any response regarding non-compliance; thereby reflecting their non-cooperative behavior in the matter. Therefore, I am left with no other option except to pass an ex-parte order in the subject proceedings on the basis of available record with this office.

10. In view of the aforesaid, I am of the considered view that the contravention of provisions of the Circular read with sub-regulation (1) of regulations 36, 16(1)(n) & (q) and clauses 9(a)(ii) & (iii) and 10 of Annexure-D read with sub-regulation (1)(f) of regulation 16 of the Regulations has been established which attracts a penal action in terms of sub-section (2) of Section 150 of the Act. I, therefore, in exercise of the powers conferred under sub-section (2) of Section 150 of the Act read with S.R.O. 1545(1)/2019 dated December 6, 2019, hereby impose an aggregate penalty of **Rs.100,000 (Pak Rupees One Hundred Thousand Only)** on the Respondent on account of the aforesaid default. The Respondent is also advised to address the aforesaid non-compliance with the regulatory requirements in an expeditious manner.

11. The Respondent through its CEO is, hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 162 of the Act will be initiated for recovery of the penalty/fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.


Sohail Qadri 10-02-2025
Director/ HOD
Adjudication Department-I

Announced:
February 10, 2025
Islamabad.

Order in the matter of M/s. Continental Capital Management (Private) Limited