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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before

Abdul Rehman Warraich, Commissioner (SMD)

In the matter of

Show Cause Notices issued to Axis Global Limited and its Board of Directors

Under Section 150 and 159 of the Securities Act, 2015 read with Section 74, 151 thereof; Regulation 4(e) and 27 of the Securities Brokers (Licensing and Operations) Regulations, 2016:

Number and date of Show Cause Notice (SCN)	SMD/ADJ/PSX/23/2019 dated April 19, 2019
Number and date of Addendum to SCN	SMD/ADJ/PSX/23/2019-461 dated February 16, 2022
Date(s) of Hearing:	May 13, 2019 August 07, 2019 August 20, 2020 June 15, 2023
Present at the Hearing(s):	Waqar Ahmed, Abdul Ahad and Marium Malik of M/s Mohsin Tayebaly & Co. (<i>representing Respondents No. 1 to 6</i>) Hamad Nazir Kehar, Director Raj Kumar, former Director/CEO

ORDER

1. This Order shall dispose of the proceedings initiated, against the company named Axis Global Limited (the "**Respondent No. 1**") or the "**Company**") and the members of its Board of Directors namely Khawaja Adil Razzak, Director (the "**Respondent No. 2**"), Sarwat Aamir Ishaq, Director (the "**Respondent No. 3**"), Khawaja Aamir Ishaq, Director (the "**Respondent No. 4**"), Hamad Nazir Kehar, Director (the "**Respondent No. 5**"), Muhammad Akbar Memon, Director (the "**Respondent No. 6**"), and Raj Kumar, former Director/Chief Executive Officer (the "**Respondent No. 7**") for their alleged contravention of the requirements of Regulation 4(e) and 27 of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the "**Regulations**") & Section 74 and 151 read with the penal provisions of Section 150 and 159 of the Securities Act, 2015 (the "**Act**"), through the following Show Cause Notices:
 - a. Show Cause Notice No. SMD/ADJ/PSX/23/2019 dated April 19, 2019 (hereinafter referred to as the "**SCN**")
 - b. Addendum to the SCN bearing No. SMD/ADJ/PSX/23/2019-461 dated February 16, 2022



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(hereinafter referred to as the “**Addendum to the SCN**”)

2. The Company holds a Trading Rights Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited (PSX) and is registered as a securities broker with the Securities and Exchange Commission of Pakistan (the “**Commission**”). The SCN was served upon the Respondents on April 19, 2019 for the alleged violations of Section 74(a), (b), (c), (i), (k) and (m) of the Act, Regulation 4(e) and 27 of the Regulations read with Section 151 of the Act under the penal provisions of Section 150 of the Act, in view of the unresolved complaints, pending investigations, and the Company’s CEO in NAB’s custody. Brief facts thereof are summarized as below:
 - a. On May 04, 2018, National Accountability Bureau (NAB) informed the Commission regarding conduct of an inquiry against, amongst other individuals, the then Chief Executive Officer (CEO) of the Company namely Raj Kumar under Section 19 of the National Accountability Bureau Ordinance, 1999 (NAO).
 - b. In October 2018, the Commission received 10 complaints against the Company, alleging that the Company, its CEO and other representatives were involved in defrauding the public at large by taking unauthorized deposits. Investors’ funds amounting to Rs. 20 million were neither utilized for purchase of shares nor repaid to the investors by the Company. The Federal Investigation Agency (FIA) closed the office premises of the Company and NAB was also investigating the Company & its officers.
 - c. On November 02, 2018, the said complaints were referred by the Commission to NAB, in terms of Section 41B of the Securities and Exchange Commission of Pakistan Act, 1997 for consideration of NAB in its ongoing inquiry/investigation under the provisions of NAO.
 - d. Subsequently, it came to the notice of the Commission that the CEO of the Company was arrested by NAB in view of 48 complaints on account of illegal deposit taking amounting to Rs.40 million.
 - e. The Commission ordered an investigation against the Company under Section 139 of the Act on November 15, 2018.
 - f. Criminal Complaint No. 41/2018 is pending against the Company for offences including insider trading and front running.
3. The afore-referred investigation initiated by the Commission into the affairs of the Company under Section 139 of the Act was subsequently concluded on November 05, 2019, whereby numerous violations by the Company were observed. Based on the investigation report, the Commission served upon the Respondents an Addendum to the SCN on February 16, 2022 for the alleged violations of Section 74(a), (b), (d), (e), (f), (g), & (i) of the Act, and Regulation 4(e) of the Regulations read with Section 151 of the Act, under the penal provisions of Section 150 and 159 of the Act, on the grounds as summarized below:
 - a. Emails, phone and other records of the Company indicate that various malpractices took place during the period when Raj Kumar was the CEO of the Company. An individual named Faisal Kamran was working as introducer for a number of clients and also as an authorized person to trade on behalf of most of these clients. Out of 162 clients introduced by him, Faisal Kamran was the authorized person to trade on behalf of 127 clients. With a gross investment of Rs. 42.235 million received from these clients, the Company charged an exorbitant amount of Rs. 24.16 million (i.e. 57% of the gross investment) to these clients on account of



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commission and financial charges. In certain cases, the Company did not even credit the amounts invested by these clients into their respective accounts.

- b. Many of these clients filed complaints against the Company. The matter was taken up and investigated by NAB. Afterwards, Raj Kumar entered into a plea bargain arrangement with NAB and paid an amount of Rs. 16.691 million on account of misappropriation of amounts received from the clients.
 - c. These facts, prima facie, indicated that the Company and its Board of Directors failed to:
 - i. observe a high standard of integrity and fair dealing vis-à-vis its clients;
 - ii. act with due care, skill and diligence;
 - iii. align its services with the investment objectives and circumstances of its customers;
 - iv. enable its customers to make balanced and informed decisions;
 - v. avoid conflicts of interests vis-à-vis its customers and place customers' interests above its own;
 - vi. protect customer assets properly by way of segregation and identification;
 - vii. organize and control its internal affairs in a responsible manner;
 - viii. implement efficient procedures and arrangements for addressing customer's complaints.
 - d. Thus, the Company and its Board of Directors violated the provisions of Section 74(a), (b), (d), (e), (f), (g), (i) & (k) of the Act read with Regulation 27 of the Regulations.
 - e. Raj Kumar was the CEO of the Company during the period when these malpractices were committed and he also entered into a plea bargain with NAB. Thus, he failed to meet the fit and proper criteria as per Regulation 4(e) of the Regulations.
4. In respect of the SCN and the Addendum to the SCN, various hearing opportunities provided to the Respondents during the years 2019 till 2023 are summarized below:
- a. First hearing was scheduled, as notified under the SCN, for May 02, 2019. M/s Mohsin Tayebaly & Co. Corporate Legal Consultants (Authorized Representative) vide letter dated April 26, 2019 requested for a twenty (20) days extension/adjournment for submission of its reply on behalf of Respondents No. 1 to 6 and for re-fixation of hearing. However, no response from or on behalf of Raj Kumar was received.
 - b. The hearing was re-scheduled for May 13, 2019, while an extension was granted to submit written reply till May 08, 2019. On May 13, 2019, the scheduled hearing was held wherein the Authorized Representatives submitted that the CEO of the Company had been changed, as its ex-CEO was under custody of NAB. The Authorized Representatives also requested for further time to make additional submissions.
 - c. Another hearing was fixed for June 12, 2019, but the Company requested for an adjournment on June 10, 2019.
 - d. Subsequently, a hearing was held on August 07, 2019, wherein the Company submitted that Raj Kumar would not continue as a sponsor of the Company and would be replaced. It was also submitted during the hearing that the Company would withdraw CP-3363 pending



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before the Honorable Sindh High Court which was filed by the Company on May 14, 2019, to challenge the SCN. A reminder dated October 14, 2019, was issued to the Company to submit the requisite information/documents, as committed during the hearing held on August 07, 2019, latest by October 21, 2019. However, the requisite information/documents were not provided within the given timeline.

- e. Another hearing opportunity was provided to the Respondents on June 18, 2020, and thereafter on August 20, 2020. After the hearing held on August 20, 2020, the Authorized Representative submitted its response on September 07, 2020, reiterating the earlier submissions.
- f. On May 17, 2022, the Company requested for a hearing opportunity. The hearing was scheduled for June 27, 2022, but was adjourned to a later date.
- g. A hearing was fixed for February 02, 2023, vide notice dated January 25, 2023. The hearing notice was returned undelivered from the Respondent No. 2/ Khawaja Adil Razzak on account of being "out of country" and from Raj Kumar as he had "left the job". On January 27, 2023, the Company provided a letter of consent (to attend the hearing through video link) signed by Hamad Kehar, Director and an attendance sheet signed by Hamad Kehar and Abdul Ahad of M/s Mohsin Tayebaly & Co. However, as directed through the hearing notice, the authorizing instrument executed by the Respondents in favor of the attendees was not provided. On February 02, 2023, the Company provided an extract of resolution passed by Board of Directors of the Company on January 30, 2023, authorizing Hamad Kehar and M/s Mohsin Tayebaly & Co. to represent the Company before the Commission. However, no specific authorization on behalf of Respondents No. 2 to 7 in favor of Hamad Kehar and/or the consulting firm was provided. The hearing scheduled for February 02, 2023, was therefore adjourned to a later date subject to submission of proper authorizing instrument(s) duly executed by the Respondents in favor of the attendees.
- h. On February 03, 2023, the Company shared an extract of board resolution dated February 02, 2023 indicating authorization by the Respondents No. 1 to 6 in favor of Hamad Kehar and M/s Mohsin Tayebaly & Co. In respect of Raj Kumar, the Company submitted that Raj Kumar had resigned from the Company in April 2019, had no nexus with the Company, and was not being represented by the Company.
- i. Another hearing was fixed for June 15, 2023, and the hearing notice was also delivered to the residential address of Raj Kumar as available in the record of the registrar concerned. The said hearing was attended by Hamad Kehar, Abdul Ahad, Marium Malik (representing Respondents No. 1 to 6) and Raj Kumar.
- j. During the hearing held on June 15, 2023:
 - i. Raj Kumar was inquired about the underlying observations/ conclusion of proceedings before NAB authorities that made him enter into plea bargain with them. He denied the receipt of funds in his personal account and submitted that the funds were received in the client trading accounts where trading actually took place for around 02 years. Upon being inquired about the source of funds utilized to offer plea bargain to NAB, Raj Kumar informed that the funds given to NAB were provided by the Company, as evident from the annual audited financial statements of the Company for the financial year 2021.



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Hamad Kehar submitted that the plea bargain amount was not paid by the Company and instead was paid by Raj Kumar's brother.

- ii. Upon being inquired about the contradiction between the two statements, the Respondents submitted that the Company loaned the amount to Jamna Devi Reena Kumari (identified by Raj Kumar during the hearing as his sister-in-law) who thereafter gave the funds to Raj Kumar for payment of his plea bargain to NAB.
5. The written submissions in response to the SCN and the Addendum to SCN made by the Authorized Representative on behalf of Respondents No. 1 to 6 since 2019 till 2023 are also summarized below:
- a. A letter dated **May 07, 2019**, was submitted contending that:
 - i. All complaints filed by the clients against the Company had eventually been settled/resolved.
 - ii. Pendency of a criminal complaint against an individual does not automatically render him unfit in terms of fit and proper criteria provided in the Regulations.
 - iii. Upon becoming aware of the malpractices committed by Faisal Kamran, the Company itself took remedial action by seeking guidance from the Commission and subsequently filing a complaint before FIA.
 - b. A letter dated **September 07, 2020** was submitted, contending that:
 - i. Raj Kumar had resigned from the position of CEO of the Company in April 2019.
 - ii. The plea bargain entered by Raj Kumar was his personal act. He was not part of the Company at the time of plea bargain, no adverse inference could be drawn against the Respondents No. 1 to 6.
 - c. A letter dated **March 04, 2022**, was submitted, contending that the grant of NOC by the Commission allowing Raj Kumar to transfer his shares in the Company to Jamna Devi amounted to granting clearance to him.
 - d. During the hearing held on **June 15, 2023**, and later through email dated **June 19, 2023**, the Authorized Representatives were directed to provide documentary evidence in support of their submissions. The following information/documents were thereafter provided by the Authorized Representatives vide letter dated **July 05, 2023** in seriatim:

Sr.	Documents/Information sought by the Commission	Response of the Authorized Representative
1.	Correspondence held by the Company with the Commission in January 2016 regarding redressal of complaints.	<i>Email dated: 09-01-2016 issued by our Client to the SECP (Annexure — A)</i> <i>Public Notice dated: 12-01-2016 (Annexure — B)</i> <i>Email dated: 13-01-2019 addressed by ...SECP to our Client (Annexure — C)</i>



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Sr.	Documents/Information sought by the Commission	Response of the Authorized Representative
2.	Correspondence made by the Company with FIA or any other Law Enforcement Agency (as contended by the Company during the hearing) regarding submission of its complaint(s).	<i>Email dated 14-01-2016 addressed by our Client to the FIA (Annexure — D)</i>
3.	Complaint-wise details of all the complaints that have been lodged against the Company and/or its CEO (including Raj Kumar) or other officers/employees of the Company, and a summary of settlements/redressal made thereupon.	<i>Email dated: 04-04-2019 addressed by Muhammad Ashraf (SECP) (Annexure — E). Order-in-Appeal dated: 07-03-2017 passed by the Sub-Committee of Regulatory Affairs Committee of the PSX (Annexure — F)</i> <i>Letter dated: 22-02-2022 addressed by our Client to the PSX and Reply dated: 24-02-2022 issued by the PSX to our Client (Annexure — G). Letter dated: 13-04-2023 addressed to our Client by the PSX (Annexure — H)</i>
4.	W.r.t NAB's inquiry proceedings against Raj Kumar, relevant documents including allegations /charge sheets, statement(s) etc. and other written correspondence made by Raj Kumar.	<i>Letter dated: 21-10-2019 issued by Additional Director (Staff), DG, NAB Lahore (Annexure — I)</i>
5.	It was informed during the course of hearing that a director's loan was provided by the Company to one of its directors (reportedly Jamna Devi Reena Kumari), in relation to NAB's proceedings/plea bargain by Raj Kumar. The said loan, as informed by Hamad Kehar during the hearing, has been written off in the 2022 audited accounts. Details of the said loan, terms and conditions under which it was given, board and special resolutions (as required by applicable laws) approving the grant of such loan, loan agreement evidencing repayment terms for the company as well as extracts of audited financial statements of the Company showing the disclosure of this loan since the time it was granted and until it was written off, be provided.	<i>Cheques No. 39108553 and 42426848 dated: 24-06-2019 (Annexure -J)</i> <i>Please note that the information requested in [corresponding] Paragraph...is beyond the scope of the proceedings initiated under the SCN and no nexus with the contents of the SCN or the Addendum.</i>

6. Raj Kumar submitted a reply vide letter dated June 20, 2023 stating that the proceedings initiated by NAB had been concluded through a plea bargain in July 2019 and the amount payable by him on account of plea bargain was paid by the Company with the approval of its Board of Directors, as also shown in its audited financial statements for the year ended June 30, 2021.



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7. Other facts and circumstances of the case are summarized below:

Constitutional Petition (CP) No. 3363 of 2019 before Sindh High Court:

- a. On May 14, 2019, the Company *inter alia* informed about filing of CP No. 3363 of 2019 before the Honorable High Court of Sindh at Karachi challenging the SCN and requested the Commission to maintain *status quo*. The said petition was first heard by the Honorable Court on May 16, 2019, whereby a stay was granted in respect of the SCN, and the Commission was directed not to take any coercive action against the Company until next hearing. On September 21, 2022, the Honorable Sindh High Court at Karachi disposed of the said petition on the terms that “...SECP shall finalize the proceedings of SCN dated 19-04-2019 and subsequent addendum dated 16-02-2022 by affording an opportunity of hearing to the petitioner in accordance with law within a period of sixty (60) days from today. Till such time, proceedings are finalized, no coercive action be taken against the Petitioner. If the Petitioner is further aggrieved, appropriate remedy may be availed in accordance with law.”

Plea Bargain with NAB:

- a. As informed to the Commission by NAB vide its letter dated August 02, 2019, the CEO of the Company (Raj Kumar) entered into a plea bargain with NAB under Section 25 of NAO, and the Accountability Court No. IV, Lahore vide its Order dated July 01, 2019 accepted his plea amounting to Rs.16,731,000, as the accused Raj Kumar offered to return to NAB the gains acquired by him as consequences of the offence of misappropriation of amount of his clients which he received as CEO of the Company.

8. In light of the violations outlined under Section 74 of the Securities Act read with Regulation 27, and considering the conduct of Respondents including Raj Kumar during his tenure as CEO following are the key areas to be analyzed to reach at a conclusion for establishing defaults:

- a. How did the Company’s failure to handle customer complaints promptly, and its failure to implement proper complaint management procedures, constitute a breach of Regulation 27(1) and (2) of the Regulations?
- b. In what ways did the actions of Respondents, including the misappropriation of client funds, unauthorized trading decisions, and the involvement of non-employees in critical business decisions, violate Section 74(a) to (g), (i), (k), and (m) of the Act?
- c. Considering Clause (d)(viii) of Annexure B and Regulation 4(e) regarding the fit and proper criteria, how does Raj Kumar’s plea bargain arrangement with the NAB affect his compliance with these criteria?
- d. Assess the Company’s response to the Commission’s advice dated January 13, 2016. Did the Company’s actions align with the guidance provided by the Commission, specifically regarding client communication and protection measures?
- e. Analyze the arguments presented by the Respondents, including the claim that Raj Kumar’s plea bargain was a personal matter and the subsequent Company actions to replace him. How do these arguments impact the regulatory obligations of the Company and its directors?



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9. The arguments of the Respondents are examined and analyzed below:

Violations of Section 74 of the Act read with Regulation 27 of the Regulations:

- a. Regulation 27(1) requires proper handling of and prompt remedial action upon complaints received from customers. Regulation 27(2) requires reasonable measures to redress customers' grievances in not more than thirty days of receipt thereof. Section 74(a) to (g), (i), (k) and (m) require a regulated person to observe high standards of integrity, market conduct, fair dealing, act with due care, skill and diligence, align its services with the investment objectives and circumstances of its customers, enable its customers to make balanced and informed decisions, avoid conflicts of interests vis-à-vis its customers and place customers' interests above its own, protect customer assets properly by way of segregation and identification, organize and control its internal affairs in a responsible manner and implement efficient procedures for addressing customers' complaints.
- b. It has been established that various malpractices were committed in the Company during the period in which Raj Kumar was the CEO. An individual named Faisal Kamran who was not a full-time employee of the Company was making and/or executing various business and operational decisions in the Company. He introduced as many as 162 clients to the Company and used to decide how their accounts would be credited. Later, it was found that the funds of many of these clients were not properly credited and reflected in their individual accounts. Surprisingly, he was allowed by the Company to act as authorized person to trade on behalf of as many as 127 clients. Many of these accounts were subjected to inappropriate and unduly aggressive investment and trading strategies without properly identifying and documenting the objectives and circumstances of the relevant clients. Excessive trading and churning of investments in these accounts resulted in huge commission income for the Company. With a gross investment of Rs. 42.235 million received from these clients, the Company charged an exorbitant amount of Rs. 24.16 million (i.e. 57% of the gross investment) on account of commission and financial charges. The Company has failed to explain why an outsider was allowed to arbitrarily decide how to credit funds in client accounts or to make trading decisions in client accounts. The Company has also failed to provide evidence that the trading strategies in these accounts were based on a sound process including identification and documentation of client objectives and circumstances.
- c. It is evident that an adequate complaint management system did not exist in the Company. The complaints received from customers on account of misappropriation of their funds remained unresolved for a long period of time well beyond the prescribed time limit of thirty days. These complaints were addressed by the Company only when regulatory and law enforcement agencies got involved.
- d. The respondents have argued that through its order dated March 07, 2017, PSX has already taken cognizance of the matter. The Commission should therefore not take any further action. This argument is also not tenable. Firstly, the said Order has been passed in respect of violations by the Company of PSX Regulations, while the instant proceedings have independently been initiated to adjudicate violations, by the Company, of the Broker Regulations and the Securities Act. Secondly, the Order passed by PSX concludes that the Company was guilty of misusing clients' funds and failed to register its identified traders/agents/freelancers as its employees despite that these individuals were acting like regular employees. Abuse of client funds and letting outsiders to run the affairs of the Company are serious matters which justify action by the Commission which is the apex regulator of securities markets.
- e. The respondents have also argued that no regulatory action may be taken against them because various remedial measures were eventually taken by them - the complaints of the customers/clients were settled/resolved, the CEO of the Company resigned, and the Company also filed a complaint against



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Faisal Kamran. These arguments are not tenable. Although these remedial actions taken by the Company are appreciable, these actions only prove that the Company had earlier failed to conduct appropriate due diligence, implement internal controls, address conflicts of interest, handle client assets with due care, and put in place an effective complaint management system.

- f. The facts and circumstances of the case lead to the conclusion that various governance failures occurred in the Company over a sustained period of time. These failures lead to various violations of Section 74 of the Act read with Regulation 27 of the Regulations. The BOD, as a body, failed to exercise due diligence in properly governing the affairs of the Company.

Failure to implement advice given by the Commission:

- g. The Commission vide email dated January 13, 2016 inter alia advised the Company to take the following steps for protection of its clients:
- i. Publish the quantum notice in the newspapers for a week including the bank account number for carrying out transactions with the Company.
 - ii. Intimate all customers individually in writing i.e. letter or email regarding the issues faced by the Company status and advise them to be vigilant regarding trading activities in their brokerage accounts maintained with the Company.
 - iii. SMS be sent to all customers to inform and alert them regarding any scams in the name of the Company.
 - iv. Advise all customers not to make any payment to the Company in cash.
- h. The documentary evidence annexed to the written response of the Company submitted in May 2019 only shows a "sample email" and a "sample SMS" to be sent to its clients. Despite the Commission's advice, the customers were not individually informed in writing regarding the measures taken by the Company to protect them from unauthorized activities. The Company failed to publish quantum notice for a week. Instead, it provided a copy of only one public notice published on January 12, 2016 (i.e. before receiving guidance from the Commission on January 13, 2016) merely stating that the Company has no other branches besides the Karachi office. The Company neither included its bank account number details in the notice for carrying out transactions with the Company nor advised the customers not to make any payments to the Company in cash.
- i. Based on the facts and circumstances explained above, the argument that the Company acted responsibly by seeking guidance from the Commission is not plausible. It is evident that the Company did not comply with the advice given by the Commission.

Conduct of Raj Kumar as CEO and Director:

- j. Clause (d)(viii) of the Annexure B read with Regulation 4(e) (relating to fit and proper criteria of a licensed person, its directors and senior management officers) articulates that the person should not have entered into a plea bargain arrangement with the NAB. Section 151(2)(c) and (d) of the Act require that the Commission shall, in considering whether a licensed person and members of its board of directors are fit and proper persons, have regard to ability to carry on their activity competently, honestly & fairly and the reputation, character, reliability and financial integrity of the company and its officers. In terms of Section 151(3)(a) of the Act, the Commission is empowered to consider any information in its possession while considering fitness and propriety of a person.
- k. Raj Kumar misappropriated clients' funds, entered into the plea bargain arrangement duly approved by



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NAB on July 01, 2019, and paid an amount of Rs.16.691 million on this account.

- i. When the malpractices going on in the Company came to light and PSX, SECP and NAB took notice of the matter, Raj Kumar resigned as the CEO and Director of the Company and transferred his shareholding in the Company to another individual.
- m. The facts and circumstances of the case discussed in earlier paras, and his subsequent plea bargain arrangement with NAB, lead to the conclusion that various malpractices took place in the company over a sustained period of time with the deliberate involvement and connivance of Raj Kumar – who was the CEO and one of the directors of the Company.

Conduct of the Company in case of Raj Kumar:

- n. The respondents 1-6 have two major arguments to support their contention that they acted impartially and in good faith once they became aware of Raj Kumar's wrongdoings:
 - i. The plea bargain entered by Raj Kumar with NAB was his personal act and the Company had no role in payment made by Raj Kumar on account of plea bargain. The said payment was made by Raj Kumar's brother.
 - ii. The Company replaced Raj Kumar as CEO, and also as shareholder and director. The grant of NOC by the Commission allowing Raj Kumar to transfer his shares in the Company to Jamna Devi tantamount to the closure of the matter.
- o. Raj Kumar informed, during the hearing on June 15, 2023, that the payment of plea bargain to NAB was made through funds provided by the Company via banking channels. This was also disclosed in the financial statements of the Company for the financial year 2021.
- p. The annual audited financial statements of the Company for the years in question were perused. It was observed that:
 - i. In the annual audited financial statements for financial years 2019 and 2020, this amount of Rs.16,731,000 was shown as 'receivable from ex-CEO'.
 - ii. In the audited financial statements for financial year 2020, the statutory auditors of the Company rendered a 'qualified' opinion by stating that the "ex-CEO of the Company was convicted under NAO for misappropriation of Rs.16,691,255 from his clients. However, his offer for plea bargain of payment of Rs.16,731,000 was accepted by NAB and shown in the accounts as receivable from the ex-CEO. We are unable to satisfy ourselves on the recoverability of the said amount".
 - iii. In the audited financial statements for financial year 2021, it was disclosed that the Company decided to write-off the said receivable in its meeting of board of directors held on June 15, 2021. It was also disclosed that the company had earlier paid this amount of Rs.16,731,000 through pay-orders dated June 24, 2019. No justification was provided for write-off of the said receivable.
- q. The Respondents stated that the amount of Rs 16,731,000 appearing the Company's financial statements was receivable from Raj Kumar's brother. Later, the Company, in its response dated July 05, 2023, also provided copies of cheques dated June 24, 2019, underlying the said payment of Rs. 16,731,000 through pay-orders. The cheques showed that the said amount was paid to Jamna Devi Reena Kumari. During the hearing, it turned out that Jamna Devi Reena Kumari was also related to Raj Kumar.
- r. The contradictions in the statements made by the Respondents vis-à-vis the documentary evidence



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- submitted by them makes it clear that the payment of plea bargain was, in fact, made by the Company using its own funds/earnings by 'loaning' the said amount to a relative of Raj Kumar and later wrote-off this amount as irrecoverable without explaining any reasons.
- s. The grant of NOC by the Commission allowing Raj Kumar to transfer his shares in the Company to another individual was an important step in resolution of the matter but did not tantamount to the closure of the matter. It is necessary to take appropriate regulatory action in the matter.
- t. Various malpractices have been committed in the Company resulting in misappropriation of client assets. These malpractices were committed with deliberate involvement and connivance of Raj Kumar who was the CEO, and also a shareholder and director, of the Company.
10. Based on the above findings, it is established that:
- a. the Company and its Board of Directors violated the provisions of Section 74 (a), (b), (d), (e), (f), (g), (i) & (k) of the Act, and Regulation 27 of the Regulations by failing, over a sustained period of time, to take reasonable/adequate measures to:
- i. observe a high standard of integrity and fair dealing vis-à-vis the Company's clients;
 - ii. act with due care, skill and diligence;
 - iii. align its services with the investment objectives and circumstances of its customers;
 - iv. enable its customers to make balanced and informed decisions;
 - v. avoid conflicts of interests vis-à-vis its customers and place customers' interests above its own;
 - vi. protect customer assets properly by way of segregation and identification;
 - vii. organize and control the Company's internal affairs in a responsible manner.
 - viii. institute adequate procedure to address customer complaints in a fair and timely manner.
- b. Raj Kumar was directly responsible for planning, committing, allowing, facilitating, aiding and abetting these malpractices.
11. In view of the above-stated facts & circumstances and in exercise of powers conferred under Section 150(2) and 159(5) of the Act, an aggregate penalty of **Rs.10,000,000/- (Rupees Ten Million Only)** is imposed on the Respondents, in the following manner:

S. No.	Name of the Respondent	Amount of Penalty (Rs.)
1	M/s Axis Global Limited	4,000,000
2	Khawaja Adil Razzak	400,000
3	Sarwat Aamir Ishaq	400,000
4	Khawaja Aamir Ishaq	400,000
5	Hamad Nazir Kehar	400,000
6	Muhammad Akbar Memon	400,000
7	Raj Kumar	4,000,000
	Total	10,000,000



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12. Further, in terms of powers conferred under Section 150(1) and 151 of the Act, the following is decided:
- The license of the Company i.e. Axis Global Limited is cancelled in relation to its activities to the extent of keeping custody of securities and money belonging to its customers as "Trading & Self Clearing Broker". The Company may continue to operate as a "Trading Only" broker in accordance with applicable regulatory framework.
 - The Company is directed to take immediate steps for complete transfer of its custody and clearing functions including proprietary to Professional Clearing Member or Trading and Clearing broker, and ensure compliance of all other requirements of the law in this respect within thirty (30) days of the date of this Order.
 - Respondents no. 2-6 are not fit & proper persons to become directors of a company licensed to run a brokerage business of any category other than "Trading Only" for a period of five (5) years from the date of this order.
 - Respondent no. 7 is not a fit & proper person to become director of a company licensed to run a brokerage business of any category for a period of five (5) years from the date of this order.
13. The Respondents are directed to deposit the respective penalty, as per para 11 above, in the designated bank account maintained in the name of the Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited, within a period of thirty (30) days from the date of this Order, and furnish receipted voucher issued in the name of the Commission for information and record.
14. This Order is being issued without prejudice to any other action(s) that may be initiated/taken against the Directors, the Company and/or its officers responsible for the violations of the aforesaid provisions of the law, accordingly.

(Abdul Rehman Warraich)
Commissioner (SMD)

Announced:
November 21, 2024
Islamabad