

Securities and Exchange Commission of Pakistan
Securities Market Division

Before the Commissioner (SMD)

In the matter of Show Cause Notice Issued to
Ghani Osman Securities (Private) Limited

Date of Hearing(s)	October 11, 2017, December 4, 2017 and February 9, 2018
Present at the Hearing	
Representing Ghani Osman Securities (Private) Limited Mr. Abdul Ghani	Chief Executive Officer, Ghani Osman Securities (Private) Limited
Mr. Asim Ahmed	Director, Ghani Osman Securities (Private) Limited
Assisting the Commissioner (SMD)	
(i) Ms. Musarat Jabeen	Executive Director (ADJ)
(ii) Mr. Salman Arshad	Deputy Director (ADJ)

ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice (SCN) bearing No. 1(53) SMD/LCID/2015 & 2(15) SMD/PRPD/2017 dated September 22, 2017. The SCN was served on M/S Ghani Osman Securities (Private) Limited ("**Respondent**") by the Securities and Exchange Commission of Pakistan (**Commission**) under section 22 of the Securities and Exchange Ordinance, 1969 (Ordinance) and section 150 of the Securities Act, 2015 (**Securities Act**). The Respondent is a Trading Right Entitlement Certificate ("**TREC**") holder of Pakistan Stock Exchange ("**PSX**") and registered/licensed as a broker with the **Commission**.

2. Brief facts of the case leading to the issuance of SCN are that the Commission on routine scrutiny of trading data of PSX observed that during July 01, 2014 to February 17, 2015 (Review Period-I), trades of UBL Funds, managed by UBL Fund Managers Limited was significantly matched with trades of following clients of the Respondent:-

Client Name	CNIC No.	Client Trading Account
Syed Ali Muzaffar Jaffery (Jaffery)	42301-1077623-1	5411
Mr. Abdul Razzak (Razzak)	42301-1026994-9	5413
MR. Riaz Abdul Razzak (Riaz)	42301-9254622-3	2921
Mr. Muhammad Ismail (Ismail)	42301-0887974-3	6222

3. The Commission vide Order dated January 15, 2015 (Order-1) in exercise of powers conferred by section 21 of the Ordinance read with section 29 of the Securities and Exchange Commission of Pakistan Act, 1997 (SECP, Act), conducted investigation into the dealing of





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above trades. The investigation team submitted its report on November 11, 2015 (Investigation Report-I), which inter alia revealed that during the Review Period-I:-

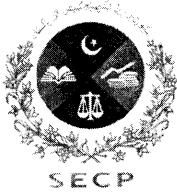
- a) The trading pattern of the said clients showed that they used to purchase shares prior to the purchase of shares by Funds managed by UBL Funds Manager Limited. The shares purchased were then sold to UBL Funds. In almost all the cases, they squared their position by day end or by the next day.
- b) The said clients of the Respondent, under a pre-arranged scheme, purchased and sold collectively 58.228 million shares. Out of these 55.164 million shares were sold to UBL Funds i.e. 95% of their sale transactions were matched with buy transactions of UBL Funds.
- c) On account of aforesaid scheme/matched trading with UBL Funds, the said clients, in connivance of the Respondent, made gain of Rs. 32.938 million. Summary of their matched trading with UBL Funds and gain made by each client is as under:-

Sr. No.	Name	Trade matching period	Total Shares Sold	No. of Shares sold to UBL Funds	% Matched Trade	Profit in PKR
1	Riaz	November 17, 2014 to December 26, 2014	25,605,950	24,826,450	97%	14,514,170
2	Razzak	July 1, 2014 to November 14, 2014	7,374,600	7,019,700	95%	3,307,207
3	Jaffery	July 1, 2014 to October 23, 2014	8,476,070	6,731,500	79%	4,793,546
4	Ismail	December 29, 2014 to February 17, 2015	16,772,050	16,586,900	99%	10,323,687
	Total		58,228,670	55,164,550	95%	32,938,611

- d) Mr. Muhammad Shabbir Suriya (**Suriya**) was employed as equity trader in UBL AMC. He was responsible for placing orders on behalf of UBL Funds. By virtue of his position, he was Insider of UBL Funds in terms of section 15C (1) of the Ordinance. Similarly, trade orders to be placed on behalf of UBL Funds were Inside Information in terms of section 15B of the Ordinance. Mr. Muhammad Shabbir Suriya passed on the "Inside Information" to the clients of the Respondent.

4. The Commission based on the recommendations made in Investigation Report-I initiated legal proceedings against the above named clients of the Respondent, under section 15E of the Ordinance, for alleged violation of section 15A *ibid*. The said proceedings have recently been concluded wherein, clients of the Respondent viz. Mr. Riaz and Mr. Ismail have





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been found guilty of violation of section 15A of the Ordinance, based on the Inside Information passed on to them by Mr. Suriya.

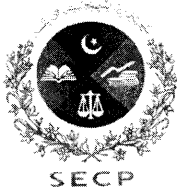
5. The Investigation Report-I and proceedings concluded against the clients of the Respondent prima facie reveal that the Respondent was non-compliant with the provisions of:-

- (a) Rule 12 of the Brokers and Agents Registration Rules, 2001, (Broker Rules) which requires a broker to abide by Code of Conduct specified in Third Schedule annexed to the Broker Rules (Code of Conduct). The Respondent was apparently part of the aforesaid illegal scheme and the Respondent/its directors/employees received monetary benefit from the aforesaid illegal scheme of its clients. The Respondent in violation of Code of Conduct failed to maintain high standards of integrity, fairness and exercise due skill and care in the conduct of its business, as revealed from the following:-
- (i) On November 27, 2014, the Respondent transferred an amount of Rs. 2.5 million to bank account of Mr. Razzak/Riaz maintained with NIB Bank through instrument No. 380005178 and the same was withdrawn in cash through instrument No. 15590522 by Mr. Abdul Qadir an employee of the Respondent.
- (ii) On December 3, 2014, the Respondent transferred Rs. 2.5 million in the bank account of Mr. Razzak/Riaz. On December 4, 2014, cash Rs. 650,000 was withdrawn by Mr. Abdul Qadir, an employee of the Respondent.
- (iii) In November 2014, the Respondent deposited Rs. 10 million in bank account of Mr. Jaffery (in fraction of Rs. 3.5 million Rs. 3.5 million and Rs. 3 million) via online transactions. He immediately refunded the said amount to the Respondent.
- (iv) Mr. Riaz admitted inter alia before the Investigation Team that "I met Mr. Suriya in June 2014 in the stock exchange, as he was previously working with Prudential Securities (Pvt.) Limited. Mr. Suriya told me that he has some big institutional clients, he told me that he will inform about the trading by those client and will tip me regarding their entry into a scrip however he didn't have money for the exposure, and I will have to arrange that. So I went to the Ghani Osman Securities and discussed with Khurram Abdul Razzaq and informed him about this strategy, they agreed and started trading in Mr. Jaffery account. Since volume was good which led to sufficient commission for the brokerage house so they agreed to continue trading in the account without exposure.

I had signed my cheque book and kept it with Khurram Razzaq. They took it from me from the beginning. The payments credited in my NIB Bank account of about Rs. 5.7 Million is profit of my trading in stocks.



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The cash withdrawal does not all belong to me. It was shared by Mr. Khurram. From National Bank, I have received information that my ID card copy and Abdul Qadir (Employee of Ghani Osman Securities) ID Card copy have been provided at the time of withdrawal. It represents misuse of my identity. I have not withdrawn such massive cash.

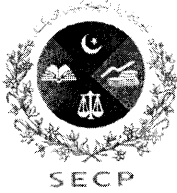
I have opened my trading account with the Respondent on November 14, 2014 and they deposited amount of Rs. 10 million on November 11, 2014. Source of that is not known to me similarly they credited same amount in my bank account and which was withdrawn through my accounts as cash payments. I am not aware when and how much cash payments were withdrawn by my account. They have manipulated my ledgers also. I have two copies of the ledger for same period, which are different from each other”.

- (v) Mr. Jaffery inter alia admitted before the Investigation team that “Riaz was not authorized to operate my account. I just asked him to operate my account on my instructions. I only got to know that he was authorized only when I asked Ghani Osman Securities to provide copy of account opening form. Further, the authority letter which is attached to my account opening form authorizing Riaz to operate my account, is fake. After receiving notices from SECP I wrote letter to the broker to inform me about my ledgers and account balances. The same was provided after strict resistance from the broker.

I opened account with initial balance of Rs. 10,000. Subsequently Riaz used to take funds from me. I never received any message regarding trading in my account. The Respondent never intimated me through email or mobile text regarding my account updates. Riaz filled my account opening form and got it signed from me. I am not aware of the number provided to on Account Opening Form and the email does not belong to me. My email is Jaffrisarn@gmail.com. My signatures on letter of authority are fake.

About the payment of Rs. 10 Million in my account, I am aware of inward payments in my account. Riaz told me that the broker has some financial irregularities. He said that in order to cover profit and loss, 'broker will transfer amount to your account and immediately transfer it back. So I allowed him in good faith but I am not aware that where those payments were ultimately transferred, I only issued cheques in favour of Ghani Osman Securities. I know that Riaz is an agent of Ghani Osman Securities and he brought in the account opening form at my house and I never visited the Ghani Osman Securities Branch. I believe, currently Riaz sits in Old Building of Stock Exchange Branch of Ghani Osman Securities.





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- (vi) Mr. Ismail inter alai admitted before the Investigation team:- “I opened my trading account with Ghani Osman Securities for the purpose of subscribing to IPOs. I gave the broker a blank and signed copy of the account opening form and Faisal Yaqoob from the Respondent filled it by himself. He also requested signed cheques which I provided him.

He asked me to bring my bank statement. That is when I checked my bank statement and asked him regarding entries in my bank statement. Faisal Yaqoob from the brokerage house told me that it is normal course of business. There is nothing to worry about the payments and withdrawal from the bank account. On receipt of notice from SECP, Faisal Yaqoob advised me not to go the hearing as he has taken extension of 3 weeks. Faisal Yaqoob drafted all the responses to SECP from my side and asked me to sign. My only contact in this regard was with Faisal Yaqoob of the Respondent.

I have never received any text message/email regarding trading in my account. The telephone number mentioned in my account opening form does not belong to me and the broker might have filled it by himself”.

- (vii) Mr. Faisal Yaqoob, CEO of the Respondent admitted before the Investigation Team that:-

“Mr. Riaz has been trading in the account of Jaffery initially through Business and Finance Centre REM02806. He has also traded our KSE Stock Exchange branch, lately through Sasi Clifton branch and some through online terminal.

Mr. Riaz has introduced the account of Mr. Ismail in our brokerage house. We admit we did not obtain initial margin from him”.

- (viii) Mr. Riaz opened his trading account with the Respondent on November 14, 2014. His financial ledger statement reflected transactions since November 11, 2014 i.e. the Respondent executed his trades before opening trading account. Further, the Respondent credited Rs. 10 million to his financial ledger, which was received from Mr. Jaffery.

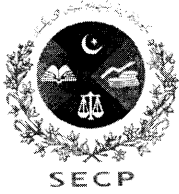
- (ix) The Respondent failed to observe unusual trading in account of its aforesaid clients.

- (b) Clause 4.12 of the PSX Rule Book, which requires approval of PSX in case a broker appoints agent. The Respondent allowed Mr. Riaz to work as agent without approval of PSX, as is evident from the following:-

- (i) Mr. Riaz admitted before the Investigation Team that “I have been working in stocks business since 12 years. ----- In 2011 I started working in Ghani Osman Securities as an agent/sub agent. I was sub agent with Mr. Khurram Abdul Razzaq (Director in Ghani Osman



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Securities). Initially I used to work at Stock Exchange Branch. From there I was moved to Clifton Branch on the instructions of Faisal and Khurram Abdul Razzaq who are directors in Ghani Osman Securities. I used to receive commission payments in cash. They have never paid me through cheques. I was not registered as an agent with stock exchange. I used to give orders to Khurram and Javed."

(ii) Mr. Javed Younus, KATS Operator of the Respondent at Sasi Branch, Clifton, Karachi admitted before the investigation team that "---- Riaz was working as dealer in this office. He used to come here with one or two fellows. I am watching Riaz since last 3-4 months. He was sitting in his separate room, and since then he was allocated KATS Terminal # REM02803-----".

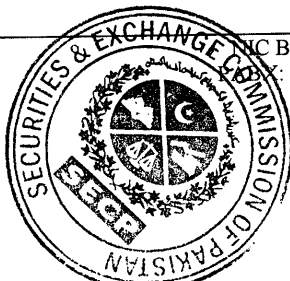
(c) Clause 19.5 of the PSX Rule Book which requires brokers to collect margins from their clients but the Respondent failed to collect margins from its above named clients specifically from Mr. Ismail.

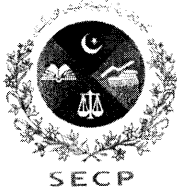
6. Furthermore, the Commission received a complaint on July 24, 2016 against Muhammad Tahir Ismail (Mr. Tahir), wherein it was alleged that:-

- a) The Respondent had given its Terminal along with its password to Mr. Tahir for conducting business and trading of securities from Rahim Yar Khan ("RYK").
- b) Mr. Tahir was impersonating himself to be the representative/ agent of Respondent and was engaged in the deposit taking from public for inter alia conducting business and trading of securities.
- c) Mr. Tahir in connivance with the Respondent had opened various accounts in the name of his family members with the Respondent to facilitate the aforementioned fraudulent activities and defrauding public through deceptive measures.

7. The Commission vide Order dated July 27, 2016 (**Order-II**), in exercise of power conferred under section 139 of the Securities Act, 2015 (Securities Act), read with all enabling provisions of SECP Act, 1997 conducted Investigation into the allegations. The Investigation team submitted its Investigation Report (**Investigation Report-II**) on December 16, 2016 which inter alia reveals that Mr. Tahir in connivance with the Respondent posed himself as its registered/licensed agent/representative. After opening accounts of the clients, he routed them towards the Respondent and used to get rebate from the Respondent on the transactions executed by those clients with the Respondent and also deducted commission from the clients. Mr. Tahir in connivance with the Respondent wrongfully made personal gains by defrauding public.

8. Section 167 read with section 66 of the Securities Act provides that an act, omission or failure of a representative, employee or other person acting for or on behalf of a licensed person within the scope of his office or employment shall be deemed to be the act, omission or failure of the licensed person as well as of the representative, employee or other person.





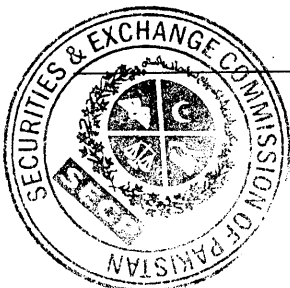
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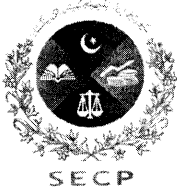
9. The Investigation Report-II prima facie reveals that the Respondent was non-compliant with the provisions of

- a) Clause 4.12 of the PSX Rule Book, which requires approval of PSX in case a broker appoints agent. The Respondent allowed Mr. Tahir to work as agent without approval of PSX, as is evident from the following:-
- i. The Investigation Team reached at RYK on July 29, 2016 and conducted raid (along with local police) of the premises from where Mr. Tahir was carrying out trading activities. During the raid a number of Standardized Account Opening Forms of the Respondent were recovered. Official stamps bearing Respondent name, official address and official phone numbers were also recovered. Mr. Tahir used these stamps as proof that he was an authorized agent/representative/trader of Respondent.
 - ii. Mr. Tahir, after opening the account(s) of the clients routed them towards the Respondent.
 - iii. Mr. Tahir received trade orders from public, and sent the same to the Respondent and the Respondent accepted and executed the orders. He used to get rebate from the Respondent on the transactions.
 - iv. During recording of statements of different clients of the Respondent at RYK, the clients admitted the fact of placing of orders through Mr. Tahir to the Respondent.
 - v. Mr. Tahir also deducted amounts e.g. commission, charges etc. from the clients.
 - vi. During January 13, 2010 to August 22, 2016, Mr. Tahir through the Respondent, purchased 8,514,196 shares of Rs. 617,188,657 and sold 8,900,315 shares of Rs. 623,576,398.
 - vii. The Respondent used to send statements to its clients at RYK through M. Tahir.
 - viii. Mr. Asim Ahmed Director and 5% Shareholder of Respondent admitted before the Investigation Team that " --- Muhammad Tahir Ismail was introduced to me by my friend who referred him as he was desirous of investing in Capital Market particularly in share securities ----.

-----It is correct to suggest that we used to give rebate/commission/referral fee to Muhammad Tahir Ismail for sending us the clients from Rahim Yar Khan for trading the shares. The rate of commission varies from 30% to 40% on the trading of his referred clients. It is pertinent to mention over here that such demand was originated from Muhammad Tahir Ismail who insisted upon on reimbursing him on account of referring clients to him.

It is correct to suggest that I used Tahir Ismail as an agent for the purposes of marketing Ghani Osman Securities Private Limited goodwill to general public. The idea was to increase the spread of our business exposure and expand our reach to general public.





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However, I am of firm believe that Muhammad Tahir Ismail was not our duly authorized and registered agent. It is correct to suggest that he referred us clients, mainly from Rahim Yar Khan.

I almost on every occasion made sure that we do not send Cheques and Financial Statements to the non-concerned personnel. We sent our clients 'correspondence and payee cheques to the office premises of Muhammad Tahir Ismail was that he was acting as our resource person in Rahim Yar Khan.

I have no knowledge that Muhammad Tahir Ismail was using our official stamps although it is in my knowledge that Muhammad Tahir Ismail was marketing our goodwill to general public in Rahim Yar Khan. When I asked Muhammad Tahir Ismail about the stamp, he was also unable to convince me regarding the stamp which to my understanding, he might have used it illegally.

It is also correct that Muhammad Tahir Ismail was giving orders on behalf of other clients without any kind authorization. As per regulatory requirements, Brokerage House must maintain five years of call recordings.

With regards to Internet trading terminal, I did nominal risk management regarding Muhammad Tahir Ismail before issuing him Internet Trading Terminal. It is correct that we do have any contract/agreement regarding the internet portal given to Muhammad Tahir Ismail. There might be probability that Muhammad Tahir Ismail route the orders of other investors through his account at Internet trading terminal.

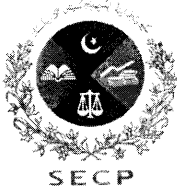
Muhammad Tahir Ismail used to ask us for account opening forms so that he can refer us the clients. Moreover, the other reason was expansion of our business.

It is also correct that almost all the forms sent to us from Muhammad Tahir Ismail were duly accepted without undertaking regular due diligence. We never inquired into the referral clients sent to us by Muhammad Tahir Ismail.

I have no clue about the actual worth of Muhammad Tahir Ismail and I do not consider him high net worth individual. Also, I am not in picture regarding his trading volume. As per my understanding, Tahir Ismail is also engaged in multiple businesses.

ix. Mr. Haji Ghani Chief Executive Officer of the Respondent admitted before the Investigation Team that “--- Muhammad Tahir Ismail is our





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client and opened his account in our brokerage house. Asim Malik is responsible for day-to-day affairs of the company and is working as Director in Ghani Osman Securities.

It is correct to suggest that we used to give rebate/commission/referral fee to Muhammad Tahir Ismail for sending us the business. Moreover, I have no knowledge that Muhammad Tahir Ismail was working as our agent. It is correct to suggest that he referred us clients from Rahim Yar Khan. The reason to send our clients 'correspondence and payee cheques to the office premises of Tahir Ismail was that he was acting as our resource person in Rahim Yar Khan.

I have no knowledge that Muhammad Tahir Ismail was using our official stamps although it is in my knowledge that Tahir Ismail was marketing our goodwill to general public in Rahim Yar Khan.

It is also correct that Muhammad Tahir Ismail was giving orders on behalf of other clients which he referred to us.

With regards to Internet trading terminal, I cannot tell that whether we have issued it to Muhammad Tahir Ismail or not. We do not have any contract/agreement regarding the internet portal given to Muhammad Tahir Ismail.

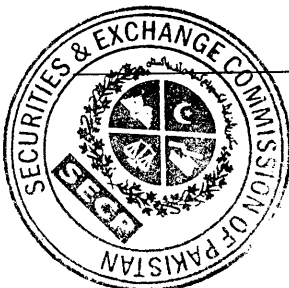
It is also correct that almost all the forms sent to us from Tahir Ismail were duly accepted without undertaking regular due diligence. We never inquired into the referral clients sent to us by Tahir Ismail.

- b) Regulation 16 of the Securities Brokers (licensing and Operation) Regulations, 2016 (**Brokers Regulations**) and clause 22 of the PSX Rule Book which require a securities broker not to operate and have any branch without approval of PSX, but as appears from the abovementioned instances, the Respondent was operating its branch office at RYK without approval of PSX.
- c) Section 74 of the Securities Act, as the Respondent failed to
 - (a) observe a high standard of integrity and fair dealing;
 - (b) act with due care, skill and diligence;
 - (c) observe high standards of market conduct;

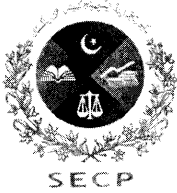
10. It prima facie appeared from the foregoing that the Respondent was:-

i. guilty of misconduct in terms of section 150(5) of the Securities Act, as:-

- a) The Respondent, in violation of section 74 of the Securities Act had failed to observe a high standard of integrity, fair dealing, act with due care, skill and diligence.



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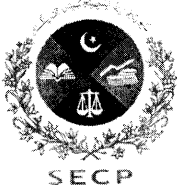
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- b) The Respondent was running an unregistered branch at RYK, in violation of regulation 16(2)(g) of the Brokers Regulation, 2016 and regulation 22 of the PSX Rule Book.
 - c) The Respondent allowed M. Tahir to work as unapproved agent in violation of regulation 4.12 of the PX rule Book.
- ii. liable in terms of section 167 of the Securities Act, for the acts, failures or omissions committed by Mr. Tahir in connivance with the Respondent.

11. The Commission took cognizance of the aforementioned alleged violations and served the SCN under section 22 of the Ordinance and section 150 of the Securities Act to the Respondent. The Respondent was directed to file written reply within 7 days of the receipt of the SCN. Mr. Abdul Ghani, Chief Executive Officer of the Respondent (CEO of the Respondent) vide letter dated October 9, 2017 filed written reply to the Notice. Besides, the case was scheduled for hearing before the Authorize Officer on October 11, 2017 and December 4, 2017. CEO of the Respondent and Director of Respondent Mr. Asim Ahmed attended both hearings through video link from Commission's regional office Karachi. Re-hearing was scheduled on February 9, 2018 due to the change in Authorize Officer. CEO of the Respondent and Director of Respondent Mr. Asim Ahmed attended the hearing through video link from Commission's regional office Karachi. The submissions made by him in response of the SCN and as well verbally during the course of hearing are summarized as under:-

- i. The CEO of the Respondent stated that Respondent has not committed any of the alleged violations. In term of UBL AMC, the Respondent claims no involvement in the matter and only its clients were part of the scheme.
- ii. Mr. Riaz was neither working as an agent of the Respondent nor the employee of the Respondent.
- iii. Mr. Riaz, Mr. Jaffery and Mr. Ismail misrepresented facts before the investigation team and Ghani Osman Securities (Pvt) Ltd. has no knowledge about it except for the thing that they were clients of Ghani Osman Securities (Pvt) Ltd.
- iv. Mr. Riaz was never agent of Ghani Osman Securities (Pvt) Ltd. he was only trading in his own, his father (RAZZAK), Jaffery (Authorized Riaz for trading) and Ismail's (Authorized Riaz for Trading) Account.
- v. Relating to Tahir Ismail case, the Respondent explained that he was only a client and in the last 8 to 10 years and had referred approx. 60 to 70 clients to the Respondent. However, Tahir Ismail was never an agent of the Respondent. Cheques were sent directly by the Respondent to the respective clients and not through Tahir Ismail. KITS had been provided to Tahir Ismail by the Respondent for his and his brother's account.
- vi. Mr. Shabbir Surya was a part of the scheme was not in the knowledge of Ghani Osman Securities (Pvt) Ltd. and whatever the arrangements were between the clients and Mr.

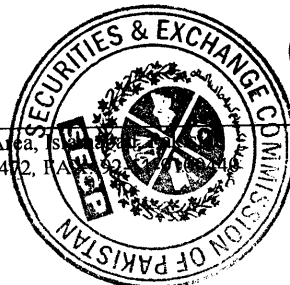


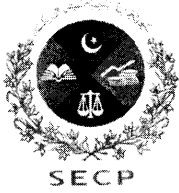


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Surya. This is totally personal arrangement of which Ghani Osman Securities (Pvt) Ltd. was never a part of or had any information. It is not Ghani Osman Securities (Pvt) Ltd. that has been found guilty of any wrong doing rather the clients of the brokerage house who were involved with Mr. Shabbir Surya.

- vii. In response of "Respondent failed to observe unusual trading in account of its aforesaid clients", it was not in practice to monitor trading of client item wise, but now it keenly observes pattern of trading of clients. The Respondent normally observes exposure of clients.
- viii. While referring to the statement of Faisal Yacioob "initial margin was not taken from Mr. Ismail", "In fact the initial margin was taken from Mr. Ismail but it needs to be explained, the matter was that Mr. Ismail came and gave us the cheque of initial margin for his account and traded in the account same day, we had received cheque that's why we allowed him to do so, and in the result of his trading the same account gained profit in it, so he asked us to return his initial deposit's cheque as his account credited so the profit amount should be considered as initial amount".
- ix. Haji Ghani Haji Osman Chief Executive Officer of Ghani Osman Securities (Pvt) Ltd. removed Mr. Faisal Yacloob Director Ghani Osman Securities (Pvt) Ltd. after this incident due to lack of his knowledge toward compliances and integration of stock business.
- x. While referring to the statement of Javed Younus, Mr. Riaz was initially sitting in the Respondent's PSX Office, but on the request of Mr. Riaz, he was shifted to the Clifton Branch Office as he complained that there is lack of space and noisy environment in PSX Office. Javed Younus hardly knew Mr. Riaz, since Riaz was trading in more than one account through the KATS operator Javed Younus so the assumption of Javed Younus about Mr. Riaz that he was a dealer of the company, and it was totally a wrong assumption.
- xi. Mr. Abdul Qadir is the Respondent's outdoor person and sometimes it is seen that some clients ask him favor for cheque submission and cash withdrawal as they couldn't move from the trading screen and Mr. Abdul Qadir mostly gives them the favor at his own. Similarly, Mr. Riaz gave him cheque for encashment from the bank and he did.
- xii. With respect to the Report-II, it is emphasized that Respondent has no branch outside Karachi and was not in knowledge that Mr. Tahir was impersonating himself as a representative/Agent of the company.
- xiii. Respondent has only given KITS (Karachi Internet Trading System) Terminal to Mr. Tahir Ismail for his and his brother's account that too was checked by than Chief Regulatory Officer of PSX that only he can trade in his own and brother account, and not able to access any of the clients referred by him.





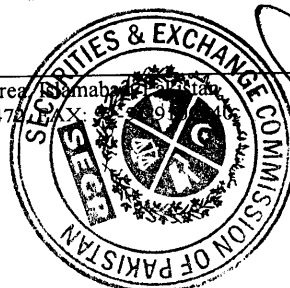
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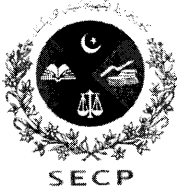
- xiv. Respondent was not aware regarding the activities of his client Mr. Tahir Ismail in Rahim Yar Khan. Moreover, it had never received any complaint from any client which he had referred to Respondent till date.
- xv. All those clients who were referred by Tahir Ismail opened their accounts for the purpose of IPO and conversion of Physical shares to CDC, mostly the trading was done in Tahir Ismail's own and his brother's account.
- xvi. Respondent has no knowledge of the Rubber Stamp of the company which was recovered from Mr. Tahir Ismail's Premises.
- xvii. Mr. Tahir Ismail used to convey trade orders occasionally with the reason that clients from Rahim Yar Khan were calling the Respondent but the number was busy OR cannot access for some other reasons. Moreover all the trade confirmations were directly sent to the respective client through SMS (Real time), Email (Daily Day End) and later on with the hardcopy through courier to their respective mailing Address (copies of courier slips already provided to the Commission) and the Respondent had never found any single dispute in trade confirmation from the clients.
- xviii. Respondent used to send statements to its clients at Rahim Yar Khan directly to their mailing addresses.
- xix. While referring to the Statements of Mr. Asim Ahmed and Mr. Haji Abdul Ghani before the investigation team, the Respondent explained that both have never said that there was no Internet Trading Agreement with Tahir Ismail. In fact the same has already been provided to the Commission.

12. I have heard the arguments presented by CEO and Director of the Respondent during the hearing. Additionally, I have perused the available record, existing regulatory framework and written response filed by the Respondent. The Respondent has denied the allegations. I have considered the submissions made by the Respondent in writing/verbally during hearing and reviewed the available record including investigation report.

13. In relation to the matter relating to UBL Funds, the Respondent has not been able to substantiate credit/debit of amounts in its clients' accounts. It also failed to observe unusual trading in the accounts of its clients to the detriment of the public interest. Further, the Respondent did not collect margins from its clients thus allowing them to take exposure without margins against requirements of the regulatory framework.

14. With reference to Mr. Tahir Ismail, I am of the firm view that he was acting as an agent of the Respondent in RYK. This is established not only by the fact that the Respondent opened accounts of clients based on account opening forms forwarded by Mr. Tahir Ismail, but also executed trades in clients' accounts on the instructions of Mr. Tahir Ismail. The Respondent was not only negligent in observing the activities of Mr. Tahir Ismail, but was also used as a tool to defraud the public, enabled misuse of public assets and did not take notice of the quantum of Mr. Tahir Ismail's trading through the Respondent.





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13. Based on the circumstantial evidences and chain of events mentioned above, I have reasons to conclude that it is established that the Respondent has been found guilty on the following accounts:-

- a) Rule 12 of the Brokers and Agents Registration Rules, 2001, (Broker Rules) which requires a broker to abide by Code of Conduct specified in Third Schedule annexed to the Broker Rules (Code of Conduct).
- b) Clause 19.5 of the PSX Rule Book which requires brokers to collect margins from their clients but the Respondent failed to collect margins from its above named clients specifically from Mr. Ismail.
- c) The Respondent, in violation of section 74 of the Securities Act has failed to observe a high standard of integrity, fair dealing, act with due care, skill and diligence.
- d) The Respondent was running an unregistered branch at RYK, in violation of regulation 16(2)(g) of the Brokers Regulation, 2016 and regulation 22 of the PSX Rule Book.
- e) The Respondent allowed M. Tahir to work as unapproved agent in violation of regulation 4.12 of the PSX rule Book.
- f) The Respondent is liable in terms of section 167 of the Securities Act, for the acts, failures or omissions committed by Mr. Tahir in connivance with the Respondent.

14. In view of the foregoing, violations of the regulatory framework committed by the Respondent are established. I, considering the severity of violations, in exercise of the powers conferred upon me by virtue of section 22 of the Ordinance and section 150 of the Act, hereby impose a penalty of **Rs. 500,000/- (Rupees Five Hundred Thousand Only)** on the Respondent.

15. The Respondent is directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited within 30 days of the date of this Order and furnish Original Deposit Challan to this office.

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

Announced on March 5, 2018
Islamabad.



(Zafar Abdullah)
Commissioner (SMD)