



Securities and Exchange Commission of Pakistan

Securities Market Division

Through Courier

Before The Director / HOD (MSCID)

In the matter of Show Cause Notice issued to

Invest Capital Markets Limited, Broker Karachi Stock Exchange Limited

Date of Hearing:

September 20, 2012

Present at the Hearing:

Representing Invest Capital Markets Limited

(i) *Mr. Sohail Yousaf*

Director

(ii) *Mr. Ahmed Usman*

Chief Financial Officer

Assisting the Director (SMD)

(i) *Mr. Kapeel Dev*

Assistant Director

ORDER

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(07) BS/KSE/MSW/SMD/2011 dated September 07, 2012 ("SCN") issued to Invest Capital Markets Limited ("Respondent"), TRE Certificate holder / broker of the Karachi Stock Exchange Limited ("KSE") by the Securities and Exchange Commission of Pakistan ("Commission") under Section 22 of the Securities and Exchange Ordinance, 1969 ("Ordinance") and Rule 8 of the Brokers and Agents Registration Rules, 2001 ("Brokers Rules").

2. The brief facts of the case are that the Respondent is registered with the Commission under the Brokers Rules. On perusal of the trading data of the KSE for the month of June and July 2012, it was noted that your client Saad Amir ("SA") and inter exchange client



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
(Market Supervision & Capital Issues Department)

Continuation Sheet - 1 -

namely Tahir Rehman ("TR") engaged in selling and then squaring up their positions in different scrips.

3. During the month of June and July 2012, SA first sold and then squared up positions in the scrips of Jahangir Siddiqui Company Limited ("JSCL"), National Bank of Pakistan ("NBP"), Engro Foods Limited ("EFOODS") and D. G. Khan Cement Company Limited ("DGKC").

4. During the month of June and July 2012 TR first sold and then squared up positions in the scrips of Attock Refinery Limited ("ATRL"), EFOODS, Engro Corporation Limited ("ENGRO"), Fauji Fertilizer Company Limited ("FFC"), Lucky Cement Limited ("LUCK"), Pakistan Petroleum Limited ("PPL") and Pakistan State Oil Company Limited ("PSO").

5. The Commission vide its letter dated July 27, 2012 sought clarification from the Respondent regarding eight different instances wherein sales were executed by SA and TR. In response the Respondent vide its letter dated July 27, 2012 received in the Commission on August 06, 2012 informed that TR is a client of Falki Capital (Pvt.) Limited, broker of the Islamabad Stock Exchange, ("ISE Broker") and operates through interexchange trading account. The Respondent provided the letter of ISE Broker with its reply wherein the ISE Broker admitted its fault and informed that the transactions in question were executed due to the mistake of its new trader. Moreover, the Respondent informed that trades executed by TR were erroneously entered by its trader and upon realization the same trades were squared up.

6. The aforementioned response of the Respondent was not considered satisfactory as it did not contain any evidence and justification regarding the execution of aforementioned sales by SA and TR. Consequently, SCN was issued to the Respondent under Section 22 of the Ordinance and the Brokers Rules stating that the Respondent has, prima facie, contravened Clause A (2) and A (5) of the Code of Conduct set forth under the third schedule of the Brokers Rules. The Respondent through the SCN, was asked to explain its position through written reply within seven (7) days of issuance of SCN and also required to



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
(Market Supervision & Capital Issues Department)

Continuation Sheet - 2 -

appear in person or through an authorized representative before the undersigned at Commission's Head Office in Islamabad on Thursday, September 20, 2012 at 10:30 a.m. for hearing. However, the venue of the hearing was shifted to Commission's Karachi office.

7. The Respondent vide its letter dated July 25, 2012 submitted its reply to the SCN. The important contentions raised in the response to the SCN by the Respondent are reproduced hereunder:-

"We, Invest Capital Markets Limited regret that the trades done in the account of Mr. Saad Amir were erroneously entered by our trader on the KATS and we came to the conclusion after thorough investigation that the trades in question were carried out due to careless attitude of the trader and had already taken strict disciplinary action."

"Invest Capital Markets Limited had always strictly adhered to the rules and regulations governing the operations of the exchange and believe this as one off event and expect that the regulator will take a lenient view on the matter. We hereby confirm and reiterate that the error occurred was not deliberate or intentional."

"Invest Capital markets Limited always thrive to serve their clients prudently by strictly adhering to the regulations governing the exchange. We hope that exchange will take a lenient view on the matter and give us the opportunity to serve our clients efficiently by strictly adhering to the rules and regulation governing the Exchange."

8. On the date of hearing, Mr. Sohail Yousaf, Director / Head of Equity & Settlement and Mr Ahmed Usman, Chief Financial Officer of the Respondent ("**Representatives**") appeared on behalf of the Respondent. Following are the important contentions made by the Representative at the time of hearing:-

