



**SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
NIC BUILDING BLUE AREA, ISLAMABAD**

Before the Executive Director (Securities Market Division)

In the matter of Show Cause Notice No.SMD/Co.62/1/2004-S dated December 06, 2005 issued to Mr. Mohammad Raza Merchant under Section 18-A of the Securities and Exchange Ordinance, 1969 for submission of more than one application for subscription of shares of Pakistan International Airlines Corporation (“the Company” and/or “PIAC”) which were offered to the general public on June 07-09, 2004.

Date of hearing:

December 13, 2005

Present at hearing:

Representing the applicant:

- i. Mr. Mohammad Raza Merchant
- ii. Mr. Mumtaz Ali (Habib Bank Limited, KMC
Branch, Karachi)

Assisting the Executive Director (SM):

- | | |
|-------------------------------|------------------------|
| i. Ms. Jahanara Sajjad Ahmad, | Joint Director, CI |
| ii. Mr. Muhammad Saeed Rana, | Assistant Director, CI |

ORDER

1. The matter arises from the show cause notices No.SMD/Co.62/1/2004-S dated December 06, 2005 issued by the Securities and Exchange Commission of Pakistan (the Commission) to (i) Mr. Mohammad Raza Merchant s/o Haider Ali Merchant, NIC No.42201-0471269-1, address: Zohra Garden, 188/A, Shahnawaz Bhutto Road, Karachi (Applicant No 1) and (ii) Mr. Mohammad Raza Merchant s/o Haider Ali Merchant NIC No.42201-0471269-1, address: 4th Floor, Zohra Garden, Soldier Bazar No.3, Karachi (Applicant No 2).

2. Facts of the case are that KASB Securities Ltd., Consultant to the Offer, on behalf of Pakistan International Airlines Corporation (PIAC) vide letter dated July 13, 2004 furnished to the Commission a list of cases of all those applicants which were detected by Sidat Hyder Morshed Associates (Pvt.) Limited (the balloters to the offer) as being filed in violation of Section 18A of the Securities and Exchange Ordinance, 1969, which stipulates that:

“(1) No person or any other person on his behalf shall make a fictitious application or submit more than one application for shares of companies offered to the public. (2) In case of contravention of the provisions of subsection (1), the application money shall be liable to confiscation.”.

Mr. Mohammad Raza Merchant's name appeared in the aforementioned list of multiple applicants. One application bearing No. 06-0001-334 was submitted through Habib Bank Limited, Bohri Bazar Branch, Karachi and the other application bearing No.06-015-34 was submitted through Habib Bank Limited, KMC Branch, Karachi. Both the applications were submitted under the same name with the same NIC number and Father's name but with different addresses and signatures.

3. The Commission called for a written explanation from applicant No 1 vide letter dated July 22, 2004 at the address mentioned in application No.06-0001-334 i.e. Zohra Garden, 188/A, Shahnawaz Bhutto Road, Karachi. The applicant No.2 replied to the said letter, vide his letter dated August 16, 2004 stating that he had submitted only one application i.e. 06-015-34 through Habib Bank Limited, KMC Branch, Karachi using account No.32555-5.
4. The Commission then called for a written explanation from applicant No 1 vide letter dated November 04, 2004 through his banker to the offer i.e. Habib Bank Limited, Bohri Bazar Branch, Karachi. But so far no reply has been received.
5. In order to ascertain the factual position and to reach to a conclusion, the aforementioned show cause notices were issued and subsequently a hearing was held on December 13, 2005 at the Companies Registration Office, Karachi. During the course of hearing, Mr. Mohammad Raza

Merchant appeared in person stating that he had submitted only one application No.06-015-34 through Habib Bank Limited, KMC Branch, Karachi. He presented his original NIC in support of his arguments. He requested for refund of subscription money against his application No. 06-015-34.

6. I have considered the arguments presented before me by Mr. Mohammad Raza Merchant. A perusal of the applications and correspondence exchanged in the matter reveals that these applications have been submitted by two different persons using the same NIC number and Father's Name but with different addresses & signatures. From the facts presented before me, it is evident that application No. 06-015-34 submitted by Mr. Mohammad Raza Merchant through Habib Bank Limited, KMC Branch, Karachi is genuine, hence the Privatisation Commission (the Offerer) is advised to accept application No. 06-015-34 submitted by Mr. Mohammad Raza Merchant through Habib Bank Limited, KMC Branch, Karachi and to refund the subscription money deposited against the same. I informed Mr. Mohammad Raza Merchant that the case of opening a fake Bank Account in his name by misuse of his NIC was a matter for the State Bank of Pakistan to consider.

7. The identity of applicant no 2 has been established as Mr. Mohammad Raza Merchant appeared in person before me and since no one appeared before me in response to show cause notice No.SMD/Co.62/2/2004-S dated December 06, 2005, claiming Application No. 06-0001-334 also filed in the name of Mr. Mohammad Raza Merchant bearing the address Zohra Garden, 188/A, Shah Nawaz Bhutto Road, Karachi, hence, the same is fictitious. Accordingly, the subscription money deposited against the said fictitious application be confiscated under subsection (2) of Section 18-A of Securities and Exchange Ordinance, 1969. The Offerer is advised to deposit the subscription money confiscated against application No. 06-0001-334 in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the receipt of this Order and furnish receipted challans to the Commission.

8. Further, the State Bank of Pakistan (SBP) is requested to investigate the opening of account No. 4021-02, in the name of Mr. Mohammad Raza Merchant by Habib Bank Ltd, Bohri Bazar

Branch, Karachi without conducting proper due diligence. . Based on the findings of the investigation carried out, SBP is requested to take appropriate action against the concerned individuals/parties under intimation to this office.

Arif Mian
Executive Director (Securities Market Division)

Announced:
March 28, 2006,
Islamabad.