



SECP

1. (34) SMD/LCID/2015

November 6, 2015

Salim Sozer Securities (Pvt.) Limited  
Through  
Chief Executive Officer,  
138-Stock Exchange Building,  
Stock Exchange Road,  
Karachi

**SUBJECT: Prohibitory Order under Section 20 of the Securities and Exchange Ordinance, 1969.**

WHEREAS, Salim Sozer Securities (Pvt.) Limited (the "**Brokerage House-I**") is a Trading Right Entitlement Certificate Holder of the Karachi Stock Exchange Limited ("**KSE**") and registered as a broker with the Securities and Exchange Commission of Pakistan ("**Commission**") under the Brokers and Agents Registration Rules, 2001 ("**Brokers Rules**").

2. AND WHEREAS Mr. Salim M. Sozer is Chief Executive Officer/Director of the Brokerage House-I.

3. AND WHEREAS, Elahi Cotton Mills Limited (the "**Company**") is a public company listed at Karachi Stock Exchange. The trading data of the Company during the period from June 01, 2015 to August 19, 2015 (the "**Review Period**") was analyzed and the following were observed:

- a) The share price of the Company increased by Rs 31.25 or 85% from Rs 36.75 as on June 11, 2015 to Rs 68.00 as on July 1, 2015.
- b) Daily traded volume of the Company ranged from 500 to 1,500 shares.
- c) No order for purchase or sale of shares of the Company was placed from July 02, 2015 to July 06, 2015.
- d) No shares of the Company were traded during the period from July 7, 2015 to August 19, 2015. However, during the same period, the price of the shares of the Company decreased by Rs 13.40 or 20% from the opening price of Rs 68.00 as on July 7, 2015 to Rs 54.60 as on August 19, 2015.

4. AND WHEREAS, the summary of change in price and volume of the shares traded of the Company during the Review Period is as under:-



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Date	Volume	Value	Closing price
June 11, 2015	1,000	36,750	36.75
June 12, 2015	1,000	38,580	38.58
June 15, 2015	1,000	40,500	40.5
June 16, 2015	1,000	42,520	42.52
June 17, 2015	1,000	44,640	44.64
June 18, 2015	1,000	46,850	46.85
June 19, 2015	1,000	49,150	49.15
June 22, 2015	1,000	51,600	51.6
June 23, 2015	1,000	54,180	54.18
June 24, 2015	1,000	56,880	56.88
June 25, 2015	500	29,860	59.72
June 26, 2015	1,500	92,700	62.70
June 29, 2015	500	32,915	65.83
June 30, 2015	1,500	100,850	67.85
July 1, 2015	1,000	68,000	68.00
July 7, 2015	-	-	67.34
July 23, 2015	-	-	65.68
August 4, 2015	-	-	64.67
August 5, 2015	-	-	63.73
August 11, 2015	-	-	61.61
August 12, 2015	-	-	59.55
August 13, 2015	-	-	58.45
August 18, 2015	-	-	57.47
August 19, 2015	-	-	54.6

5. AND WHEREAS, Chief Executive Officer/Director of the Brokerage-1 was the major buyer and seller of the shares of the Company during the period from June 11, 2015 to July 01, 2015. Details of the buyers and sellers of the Company during the above mentioned period are as follows:

Name	Quantity Purchased	Quantity Sold
Salim M. Sozer, Chief Executive Officer/Director of the Brokerage-1	7,000	7,500
Kashif	4,500	4,500
Shahida Banoo	1,500	1,500
Muhammad Noman	1,000	1,000
Muhammad Zahoor	500	500
Abdul Samad Saleem	500	-
<b>Grand Total</b>	<b>15,000</b>	<b>15,000</b>



6. AND WHEREAS, as per record of this office, trading pattern of the Chief Executive Officer/Director of the Brokerage-1 in the shares of the Company are as under:

Trade date	Trade time	Quantity	Buyer	Seller	Time interval	Trade price
2015-06-11	1056040015	500	Kashif	Salim M.Sozer	4 hrs	36.75
	1455210016	500	Salim M.Sozer	Kashif		36.75
2015-06-12	1452010033	500	Kashif	Salim M.Sozer	9 Minutes	38.58
	1501080018	500	Salim M.Sozer	Kashif		38.58
2015-06-15	1449300013	500	Kashif	Salim M.Sozer	35 Minutes	40.5
	1524500037	500	Salim M.Sozer	Kashif		40.5
2015-06-16	1517130024	500	Kashif	Salim M.Sozer	11 Minutes	42.52
	1528530071	500	Salim M.Sozer	Kashif		42.52
2015-06-17	1456070017	500	Kashif	Salim M.Sozer	9 Minutes	44.64
	1505530003	500	Salim M.Sozer	Kashif		44.64
2015-06-18	1515210032	500	Kashif	Salim M.Sozer	3 Minutes	46.85
	1518130054	500	Salim M.Sozer	Kashif		46.85
2015-06-19	1213290003	500	Kashif	Salim M.Sozer	1 Minute	49.15
	1214300034	500	Salim M.Sozer	Kashif		49.15
2015-06-22	1343540016	500	Kashif	Salim M.Sozer	40 Seconds	51.6
	1344030014	500	Abdul Samad Saleem	Kashif		51.6
2015-06-23	1350330019	500	Kashif	Salim M.Sozer	1 Minute	54.18
	1351110041	500	Salim M.Sozer	Kashif		54.18
2015-06-24	1345070022	500	Shahida Banoo	Salim M.Sozer	9 Minutes	56.88
	1354310015	500	Salim M.Sozer	Shahida Banoo		56.88
2015-06-25	1353040003	500	Muhammad Noman	Salim M.Sozer		59.72
2015-06-26	1052120029	500	Salim M.Sozer	Muhammad Noman		60
	1203330013	500	Muhammad Zahoor	Salim M.Sozer	15 Minutes	62.7
	1218090072	500	Salim M.Sozer	Muhammad Zahoor		62.7
2015-06-29	1352310018	500	Muhammad Noman	Salim M.Sozer		65.83
2015-06-30	1129230030	500	Salim M.Sozer	Muhammad Noman	2 hrs . 30 Minutes	66
	1359270064	1000	Shahida Banoo	Salim M.Sozer		67.85
2015-07-01	0955400003	1000	Salim M.Sozer	Shahida Banoo		68

7. AND WHEREAS, the above-mentioned trading data revealed that:



*[Handwritten signature]*

- a) During the period from June 11, 2015 to June 23, 2015, Chief Executive Officer/Director of the Brokerage-1 and Mr. Kashif were the only purchaser and seller in the shares of the Company. During the said period, all his transactions were matched by the transactions of Mr. Kashif and vice versa.
  - b) Though the trading in the shares of the Company did not result in change of beneficial ownership of the Chief Executive Officer/Director of the Brokerage-1, however, the trading resulted in increase in price of shares of the Company
  - c) During the above period, the share price of the Company increased by Rs 17.43 or 47% from Rs 36.75 per shares as on June 11, 2015 to Rs 54.18 per share as on June 23, 2015.
  - d) From June 24, 2015 to July 01, 2015, Chief Executive Officer/Director of the Brokerage-1 continued trading in the shares of the Company with other counterparties i.e. Ms. Shahida Bano and Muhammad Noman.
  - e) The continued trading in the shares of the Company resulted in the further increase in the price of Company to Rs 68 per share as on July 01, 2015.
8. AND WHEREAS, analysis of the day wise trading activity is as under:
- a) On June 11, 2015, Mr. Kashif bought 500 shares from Chief Executive Officer/Director of the Brokerage-1 at 10:56AM at the rate of Rs 36.75. After 4 hours, he bought these 500 shares from Mr. Kashif at the same rate.
  - b) From June 12, 2015 till June 23, 2015, the above mentioned pattern of transaction was observed and the price of the shares of the Company increased on a daily basis.
  - c) On June 24, 2015, the above mentioned pattern of transaction was observed between Chief Executive Officer/Director of the Brokerage-1 and Ms. Shahida Bano.
  - d) On June 25, 2015, Chief Executive Officer/Director of the Brokerage-1 sold the shares to Mr. Mohammad Noman at the rate of Rs 59.72. On June 26, 2015 Chief Executive Officer/Director of the Brokerage-1 purchased these shares from Mr. Noman at PKR 60 and sold the same number of shares to Mr. Muhammad Zahoor at PKR 62.70 after 1 hour. Similar pattern of transaction were observed on June 29, June 30 and July 1, 2015.
9. AND WHEREAS, during the period from July 07, 2015 to August 19, 2015, Chief Executive Officer/Director of the Brokerage-1 placed orders for sale of shares ranging from 5,000 shares to 15,000 shares of the Company at the rate ranging from Rs 64.6 to Rs 54.6/- but none of your sale orders materialized.
10. AND WHEREAS, Chief Executive Officer/Director of the Brokerage-1 and Mr. Kashif are holding trading account with Broker House-I and TS Securities Pvt. Ltd (**Brokerage House-II**) respectively. The Commission sought certain information/documents including account opening forms, which inter alia revealed the following:





- a) Email ID mentioned on Chief Executive Officer/Director of the Brokerage-1's account opening form and email ID mentioned on broker ledger of Mr. Kashif are same i.e. samadsozer@gmail.com which shows that all the details related to the transactions are being sent to the same email ID..
- b) Account Opening Forms of both of them were witnessed by the same individuals. i.e. Mr. Abdul Wahid Shah and Mr. Yousaf, despite the fact both of them have trading accounts with two different brokerage houses.
- c) Mr. Abdul Wahid Shah is an employee of the Brokerage House-I.

From the above facts, it is apparent that both of them are interconnected

11. AND WHEREAS, by entering into the aforesaid non bona fide transactions, *prima facie*, Chief Executive Officer/Director of the Brokerage-1 indulged in creating artificial trading in the shares of the Company, which resulted in increase in the price of the shares of the Company in a short period of time. Further, after successfully artificially increasing the price of the shares of the Company, Chief Executive Officer/Director of the Brokerage-1 attempted to dispose of his shareholding in the Company at inflated price. However, he was not successful in selling his shareholding at the inflated price.

12. AND WHEREAS, Chief Executive Officer/Director of the Brokerage-1 was involved in creating the false/ misleading appearance of active trading in the shares of the Company.

13. AND WHEREAS, Rule 8(iv) and 12 read with Code of Conduct provided in the Third Schedule of the Brokers Rules provides that:

1. *Integrity- A broker shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.*
2. *Exercise of due skill and care- A broker shall act with due skill, care and diligence in the conduct of all his business.*
3. *Manipulation- A broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumors with a view to distorting market equilibrium or making personal gains.*
4. *Malpractices- A broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors' interest or which leads to interference with the fair and smooth functioning of the market. A broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.*

14. AND WHEREAS, being a registered broker with the Commission under the Brokers Rules, the Brokerage House-I was required to be conscious of its responsibilities, but the aforesaid transactions are tantamount to creating false market and/or artificial active trading, which is detrimental to fair and efficient market operations, *prima facie* in violation of the Broker Rules.




15. NOW THEREFORE, in exercise of the powers conferred under section 20 of the Securities and Exchange Ordinance, 1969, the Brokerage House-I is directed to prohibit from indulging in such practices in future through its terminals and/or its proprietary account, because the same are not in line with the prevalent regulatory framework and constitute or is calculated to constitute *inter alia* contravention of SE Ordinance and rules made thereunder including Broker Rules. The text of section 20 of the SE Ordinance is reproduced hereunder for ease of reference:-

- (1) *where the Commission is of opinion that any person is engaged or is about to be engaged in any act or practice which constitutes or is calculated to constitute a contravention of the provisions of this Ordinance or of any rules made thereunder, or that any person has neglected, or is not likely, to do an act the omission or failure to do which constitutes such contravention, it may, by order in writing, direct such person to abstain from doing the act or committing the practice which constitutes or is calculated to constitute such contravention, or to do the act, the omission or failure to do which constitutes such contravention.*
- (2) *Every person to whom a direction under sub-section (1) is given shall comply therewith in such manner, if any, and within such time, as may be specified therein.*

16. The Brokerage House-I is further directed to ensure meticulous compliance of the rules and regulations, failing which the Commission shall be constrained to initiate necessary legal proceedings against the Broker.

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



  
Nasir Askar  
Director/HOD (LCID)  
Securities Market Division

Copy for information:-

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