



# Securities and Exchange Commission of Pakistan

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Securities Market Division  
Public Offering and Regulated Persons Department  
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File No. 1(55) SMD/LCID/KSE-2015

March 18, 2016

**Rafi Securities (Pvt.) Limited,**  
Through its  
Chief Executive Officer,  
Room # 1004, 10<sup>th</sup> Floor,  
Al-Rahim Towers, I.I.Chundrigar Road,  
Karachi.

**Subject: Order in respect of Show Cause Notice dated December 3, 2015 Bearing Number 1(55) SMD/LCID/KSE-2015**

Dear Sir,

Please find enclosed herewith a copy of order in the title matter for your record and necessary action.

Yours truly,

**Muhammad Farooq**  
Additional Director (PRPD)

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# Securities and Exchange Commission of Pakistan

Securities Market Division  
Licensing and Capital Issue Department

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## Before Director/HOD (LCID)

In the matter of Show Cause Notice issued under Section 22 of the Securities and Exchange Ordinance, 1969 to Rafi Securities (Private) Limited

### ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. (55) SMS/LCID/KSE-2015 dated December 3, 2015 ("**Notice**") served to Rafi Securities (Private) Limited ("**Respondent**") by the Securities and Exchange Commission of Pakistan ("**Commission**") under Section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**"). The Respondent is Trading Right Entitlement Certificate Holder/Broker of Pakistan Stock Exchange Limited ("**PSX**") and registered as a broker with the Commission under the Brokers Rules.

2. The Commission in exercise of its powers under sub-section (1) of section 6 of the Ordinance, read with Rule 3 and Rule 4 of the Stock Exchange Members (Inspection of Books and Record) Rules, 2001 ("**Inspection Rules**") ordered an inspection of the *inter alia* the books and record required to be maintained by Respondent during the period from January 01, 2014 to December 31, 2014 vide order dated December 05, 2014.

3. The Inspection Team prepared the report ("**Inspection Report**") and the same was shared with the Respondent on June 30, 2015 in accordance with Rule 7 of the Inspection Rules.

4. The Inspection Team observed that the Respondent was non-complaint with the following regulatory framework:

Regulatory framework	Alleged Nature of irregularity
Securities and Exchange Rules, 1971 (SE Rules).	The net capital balance of the Respondent as of June 30, 2014 was understated by Rs 2.981 million.
Rule Book of PSX	a) Research reports were publically available. b) Non-Maintenance of Standardized Account Opening Form. c) KYC and CDD Policies d) Non-segregation of clients' assets. e) Trading by employees of brokerage house. f) Deficiencies noticed in internet based trading system.





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	g) Non-compliance with Branch Office Regulations
CDC Regulations	Discrepancies in Sub Account Opening Forms.

5. In light of observation made in the Inspection Report, the Commission served the SCN to the Respondent under Section 22 of the Ordinance and the Respondent was called upon through its Chief Executive Officer to show cause in writing as to why penalty may not be imposed under Section 22 of the Ordinance.

6. The Chief Executive Officer of the Respondent vide letter dated January 05, 2016 submitted his written response to the Notice.

7. In order to arrive at decision, I have gone through the observations made by the Inspections Team and submissions/comments submitted against each of the observation which may be summarized as under:

S#	Observation of Inspection Team	Response of the Respondent
1	The net capital balance of the Respondent as of June 30, 2014 was understated by Rs 2.981 million.	The deficiencies noticed by the inspection team in the methodology adopted have been rectified. The Respondent undertook to ensure meticulous compliance with the requirements in future.
2	Research reports were publically available	The research reports were immediately removed from the Company's website as soon as the inspection team highlighted the issue. The matter has been resolved.
3	Non-Maintenance of SAOF	The deficiencies noticed by the inspection team have been rectified.
4	KYC and CDD Policies	The shortcomings noticed by the inspection team stands rectified.
5	Non-Segregation of clients assets	The Respondent stated that it was never their intention to violate the rules and regulations regarding segregation of assets and they would comply ensure compliance with the regulatory framework in future.
6	Trading by employees of brokerage house	The shortcomings noted by the inspection team have been rectified
7	Internet Based trading system.	The deficiencies noticed by the inspection team have been rectified.
	Branch Office Regulations	The shortcomings noted by the inspection team have been rectified





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11	CDC Regulations	The deficiencies noticed by the inspection team have been rectified.
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8. I have examined the observations made by the Inspection Team, comments submitted by the Respondent thereto. I have taken into account the penal actions initiated by the Commission against the Respondent in the past. In view of the above, I am not imposing any penalty on the Respondent. However, the Respondent is hereby advised to ensure strict compliance of regulatory framework, in future.

9. 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.



  
Nasir Askar

Director/HOD(LCID)

Islamabad.  
Announced on January 19, 2016