



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

Continuation Sheet - 8 -

function of the Respondent was required to be vigilant and the transactions of the clients should have been scrutinized in terms of the clients profile, risk category and historical trading pattern.

vi) The practices adopted by the Respondent in the instant matter i.e. incomplete documentations of AOP's of MI and SB, allowing the clients to buy shares with huge debit balances, manner of receiving clients orders for trade execution, mode of sending trade confirmations, opening of trading accounts without following appropriate customer due diligence creates doubts regarding the business conduct of the Respondent. It is pertinent to mention here that in order to protect the interest of the investors and to strengthen the capital market, the law imposes obligation on the market intermediaries to adhere to and comply with all the rules and regulations framed under the Ordinance.

12. From the above, it is established that the Respondent failed to act with due skill, care and diligence in the conduct of its business. If Respondent followed the proper KYC of its new clients and maintained proper margins from them then there might be possibility that MI, SB and CSL were not able to create false market in the shares of CHBL. It is disappointing to note that for generating the commission income Respondent allowed two new and unknown clients to trade heavily in illiquid scrip. The Respondent has failed to abide by the provisions of the Brokers Rules, ~~has~~ violated the Clause A(2), A(3) and B (1) (1) of the Code of Conduct set forth under the third schedule of the Brokers Rules, which in turn is a violation of Rule 12 read with Rule 8 of the Brokers Rules

13. The violation of the Rules and Regulations is a serious matter which entitles the Commission to even suspend the Respondent's registration but I have elected not to exercise this power at present. However, in exercise of the powers under Section 22 of the Ordinance, I hereby impose on the Respondent a penalty of Rs. 500,000/- (Rupees Five Hundred Thousand Only). I direct the Respondent to ensure that full compliance be made of all rules, regulations and directives of the Commission in the future for avoiding any punitive action under the law.