



Securities and Exchange Commission of Pakistan

Securities Market Division
Market Supervision and Registration Department
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No. SM/BRK/194/2013

October 25, 2013

1. Chief Executive Officer,
M/s. Ghani Osman Securities (Pvt.) Limited,
Room # 69, Old Stock Exchange Building,
Stock Exchange Road,
Karachi.
2. Chairman,
Dawood Equities Limited,
11th Floor, Trade Tower,
I.I. Chundrigar Road,
Karachi.
3. Chairman,
Hum Securities Limited,
Room # 69, Old Stock Exchange Building,
Stock Exchange Road,
Karachi.

SUBJECT: ORDER IN THE MATTER OF SHOW CAUSE NOTICE DATED MAY 22, 2013 UNDER SECTION 22 OF THE SECURITIES AND EXCHANGE ORDINANCE 1969 AND RULE 8 OF THE BROKERS AND AGENTS REGISTRATION RULES, 2001

Dear Sirs,

Please find enclosed an order dated October 25, 2013 issued by Director (Market Supervision & Registration Department), on the captioned matter, for your information and necessary compliance.

Yours truly,

(Saima Shafi Rana)
Deputy Director (BR&ICW)

Encl: Order dated October 25, 2013

Copy for information & Placement on the website:
Chief Regulatory Officer, Karachi Stock Exchange
Acting Chief Regulatory Officer, Lahore Stock Exchange
Acting Chief Regulatory Officer, Islamabad Stock Exchange



Securities and Exchange Commission of Pakistan
Securities Market Division
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Before the Director (MSRD)

**In the matter of Show Cause Notice issued to Ghani Osman Securities (Pvt.) Limited and
Mr. Haji Ghani Osman in his capacity as Chairman Hum Securities Limited and
Dawood Equities Limited**

Dates of Hearing:

- i. May 30, 2013
- ii. July 18, 2013
- iii. September 18, 2013
- iv. September 24, 2013

Present at the Hearings:

Representing Respondents:

- i. Mr. Haji Ghani Osman
- ii. Mr. Khalid Waheed

Assisting the Director (MSRD):

- i. Ms. Saima Shafti Rana Deputy Director
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ORDER

1. This Order shall dispose of the proceedings initiated through Show Cause Notice No. 4(BRK-134)SE/SMD/2001 dated May 22, 2013 (the “SCN”) under Section 22 of the Securities and Exchange Ordinance, 1969 (the “Ordinance”) read with Rule 8 of the Brokers and Agents Registration Rules, 2001 (the “Brokers Rules”) issued to M/s. Ghani Osman Securities Limited (the “Respondent 1”), Trading Right Entitlement Certificate Holder of Karachi Stock Exchange Limited (the “KSE”) and a broker registered with the Securities & Exchange Commission of Pakistan (the “Commission”) under the Brokers Rules and Mr. Haji Ghani Osman (“Respondent 2”) in his capacity as Chairman of Dawood Equities Limited (“DEL”) and Hum Securities Limited (“HSL”).

2. Brief facts of the case are that the HSL, a member of the KSE, duly registered as broker with the Commission under Brokers Rules, transferred its KSE’s membership with effect from May 7, 2012 and in this regard, the Respondent 1 provided an undertaking dated April 18, 2012 to KSE wherein, it agreed to settle all claims and objections of the investors which may be received by the Exchange within the 90 days’ notice period, against the HSL. After the transfer of said membership, KSE received 62 claims amounting to Rs. 16.81 million within the 90 days’ notice period. Moreover, soon after expiry of the said notice period a large number of claims regarding non-transfer of shares and non-payment of funds against HSL were received by the Commission. The complainants alleged that HSL was intimating its clients about its merger with DEL as a result clients’ payments would be made and securities would

soon be transferred by HSL to their accounts with DEL. Therefore, a large number of claimants did not lodge their claims with the Commission and/or KSE hoping that the matter would be settled as a result of the said business deal. However, after lapse of the notice period both HSL and DEL *prima facie* refused to entertain all such claims.

3. Considering that the Respondents failed to settle a large number of claims despite constant reminders, the Commission served a SCN dated May 22, 2013 to the Respondents under Section 22 of the Ordinance read with Rule 8 of the Brokers Rules stating therein that Respondent 1, as a guarantor to the aforementioned transfer, and Respondent 2 in the capacity of Chairman of DEL and HSL have *prima facie* not taken any result oriented steps towards settlement of the investors' claims in contravention of Rule 8(ix) of the Brokers Rules.

4. The Respondents through SCN were asked to explain their position through written reply and also appear in person or through an authorized representative before the undersigned at the Commission's Head Office, Islamabad on May 30, 2013 for hearing. The hearing was duly attended by Respondent 2. The Respondent 2 during the hearing assured to settle the claims against HSL and solicited extra time for settlement. The request of the Respondents was acceded to through letter dated May 31, 2013 whereby the Respondents were advised to settle all legitimate claims within one month thereof.

5. Thereafter, the Respondents were provided another opportunity on July 18, 2013 to demonstrate compliance status. Mr. Khalid Waheed attended second hearing on behalf of the Respondents. During the hearing it was noted that majority of the claims against HSL were still pending for settlement even after lapse of more than a year and the Commission was continuously receiving more claims on a daily basis. It was also pointed out that only 21 claims were reportedly settled but no claim withdrawal /settlement letters were provided to substantiate the settlement numbers. It was communicated to Mr. Khalid Waheed that the slow progress in the matter depicted failure on the part of the Respondents and is a matter of grave concern for the Commission.

6. However, in the interest of justice, the Respondents were provided with another opportunity to settle the claims within 15 days thereof. The Respondents were also asked to provide a comprehensive record of the claimants within a week's time. However, the same was not submitted by the Respondents.

7. The third hearing in the matter was scheduled on September 18, 2013; which was neither attended nor the Respondents informed about their inability to attend the said hearing. Nevertheless, the Respondents were provided with another hearing opportunity on September 24, 2013. During the hearing, it was noted that compliance status in the said matter is no different than as communicated in the earlier hearings. It was also pointed out that the comprehensive record as solicited in earlier hearings was not provided by the Respondents. The Commission's concern on slow progress and non-serious attitude of the Respondents were communicated during the hearing. During the hearing the Respondents also requested additional time. In the interest of justice, the request was again acceded to. Moreover, through the letter dated September 24, 2013, the Respondents were asked to provide a comprehensive record of the claimants by October 1, 2013 showing claimant wise claim amount, actual settlement and reason for difference or non-settlement, if any and settle all claims by October 15, 2013. A reminder in this regard was also sent vide letter dated October 9, 2013. However, the claimant record was not provided till the date of this order.

8. I have examined the facts and documents on record, in addition to the written and verbal submissions made on behalf of the Respondents. It is disappointing that despite lapse of more than a year, no serious effort has been made by the Respondents to settle the investors' claims. It is quite alarming that almost 170 claims are still outstanding and the Commission is continuously receiving more claims, which are being forwarded to the Respondents as and when received. The various compliance letters submitted by Respondents are merely the lists prepared by the Respondents and do not contain any supporting evidence including the withdrawal letters from the claimants, which the Respondents were asked to submit on a number of occasions.

9. Non-settlement of investors' claims is serious matter because of which I am of the considered opinion that continuance of the Respondent 1 in the business is detrimental to the interest of public in general and capital market in particular. Therefore, in exercise of powers under Rule 8 of the Brokers Rules; I hereby suspend the registration of M/s. Ghani Osman Securities (Pvt.) Limited as a Broker of KSE with immediate effect and till settlement of all legitimate investors' claims to the satisfaction of the Commission.

10. I strongly advise the Respondents to take immediate measures to settle all investors' claims. I also strongly direct the Respondents to fully comply with the directions of the Commission in letter and spirit. The matter is disposed of accordingly.

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


Hasnat Ahmad
Director (MSRD)



Announced on October 25, 2013
Islamabad.