



**SECURITIES & EXCHANGE COMMISSION OF PAKISTAN**  
**(Securities Market Division)**  
**Public Offering and Regulated Persons Department**

No. 1(109) SMD/PRPD/PSX/2017

November 17, 2017

**The Chief Executive Officer**

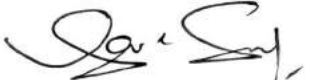
Din Capital Limited  
608, 6<sup>th</sup> Floor, Business & Finance Centre  
I.I. Chundrigar Road,  
Karachi.

**Subject: Order in Respect of Show Cause Notice dated October 5, 2017- Din Capital Limited**

Dear Sir,

Please find enclosed herewith a copy of the Order dated November 17, 2017 in respect of Show Cause Notice dated October 5, 2017 for your information.

Yours truly,

  
**(Javed Akhter Malik)**  
Joint Director (PRPD)

1. Acting Chief Regulatory Officer  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road, Karachi.
2. Chief Compliance & Risk Officer  
Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block B, S.M.C.H.S  
Main Shakra-e-Faisal, Karachi.
3. Chief Regulatory Officer  
National Clearing Company of Pakistan Limited  
8<sup>th</sup> Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi.



Securities and Exchange Commission of Pakistan  
Securities Market Division

Before the Commissioner (SMD)

In the matter of Show Cause Notice Issued to Din Capital Limited

<b>Date of Hearing</b>	October 16, 2017
<b>Present at the Hearing</b>	
<b>Representing Din Capital Limited</b>	Mr. Ali Asghar Nanji –Chief Executive Mr. Muhammad Waqas, CFO
<b>Representing the Department</b>	Mr. Muhammad Tanveer Alam (Additional Director- SSED) Mr. Kashif Ali, Additional Joint Director-SSED)
<b>Assisting the Commissioner (SMD)</b>	Mr. Javed Akhter Malik (Joint Director) Mr. Tahir Mahmood Kiani (Joint Director)

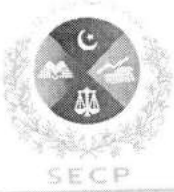
**ORDER**

This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(109) SMD/PRPD/KSE/2017 dated October 05, 2017 (“SCN”) served on Din Capital Limited (the “Respondent”) by the Securities and Exchange Commission of Pakistan (the “Commission”) under section 150 of the Securities Act, 2015 (“the Act”). The Respondent is a Trading Rights Entitlement Certificate (“TREC”) holder of Pakistan Stock Exchange (“PSX”) and licensed with the Commission as a securities broker under Securities Brokers (licensing and Operation Regulations, 2016 (the “Brokers Regulations”).

2. Brief facts of the case are that the Commission conducted an inspection (“inspection”) under section 138 of the Act to ascertain the compliance of the Respondent with regulatory framework during the period from January 01, 2015 to December 31, 2016 (“Review Period”). The inspection report, *prima facie* revealed that the Respondent was non-compliant with the regulatory framework as per following details:

- (i) **Operating with an un-approved/un-registered agent and branch office-** Regulation 16(2)(g) of the Securities Brokers (licensing and Operation Regulations, 2016 (**Brokers Regulations**) and clause 22 of the PSX Rule Book (“Rule Book”) which requires a securities broker not to operate and have any branch without approval of PSX and clause 4.12 of the Rule Book which requires approval of PSX in case a broker appoints agent. Following documents/instances has revealed that the Respondent was *prima facie* operating its branch in Hyderabad without making compliance to aforementioned provisions of law and allowed Mr. Imtiaz Hussain Shaikh to work as un-approved/un-registered agent of the Respondent in violation of regulation 16 of Broker Regulations, clause 22 and 4.12 of the Rule Book:
- As per ledger No. 1102002, the Respondent paid rent during July 1, 2015 to June 30, 2016 for its un-registered/un-approved Hyderabad branch.
  - Client Trial Balance of the Respondent is showing trading of clients of Hyderabad branch, executed during January 1, 2016 to December 31, 2016 under the head of Mr. Imtiaz Hussain Shaikh.





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- c. General Ledger of the Respondent is showing commission payments made to Mr. Imtiaz Hussain Shaikh during July 1, 2015 to June 30, 2016 under the head of Dealers/Agents Balances.
- d. The visit of inspection team to Hyderabad branch office revealed the following facts:-
- The Hyderabad branch was located at First Floor, Lehvish Shopping Mall Cantt, Hyderabad.
  - Mr. Imtiaz Hussain Shaikh was dealing as unaccredited agent of the Respondent
  - Following documents were found in the alleged branch office:-
    - Account Opening Forms of Din Capital Limited.
    - Envelopes of Din Capital Limited.
    - CDC and trade confirmations of different clients of Din Capital Limited.
    - Copies of Zakat Declaration Forms for exemption.
    - Multiple computers in the office.
    - 8-10 persons were working over there.
- (ii) **Non- provision of information to inspection team** - The Respondent did not provide the requisite information/documents to inspection team/authorized person of the Commission despite repeated instructions in violation of Section 138(5) of Securities Act, 2015. The following information/documents were not provided to the inspection team:-
- Loan agreement pertaining to MG Media that was demanded through email dated July 5, 2017 and July 6, 2017.
  - Ledger of loan to executives (0901004) for the period upto December 31, 2016, required through email dated July 5, 2017.
  - Detail of Receipts / payments to MG Media, nature, detail of agreement, terms and conditions etc. and supporting evidence in respect of transactions appearing in client / general ledgers.
  - Details in respect of rent expense appearing in ledger (1102002), details of Mr. Imtiaz Hussain Sheikh and Farhana Sheikh alongwith agreements / details of payments.
  - Details of cash received from Junaid (00103&) dated January 6, 2015, evidences required through email dated July 13, 2017.
  - Nature of transactions appearing as Reimbursement in petty cash required through email dated July 13, 2017.
  - The reconciliations along with reasons, proper narrations matches with the aging schedule balance in respect of the following difference noted by the inspection team in schedules / trial balance and NCB of the Respondent as on December 31, 2016.

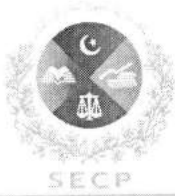
Description	As per NCB	As per schedule / TB
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Aging of trade receivables	400,901,187	486,273,954
Overdue receivables	107,399,766	174,608,775
Securities purchased for clients	77,305,627	115,820,915
Trade payable	119,415,396	221,350,227
Exposure	112,286,870	92,120,630

viii. Details and reconciliation of the followings accounts:

- Receivable from NCCPL amounting to Rs. 24.85 million
- IPO payable as per NCB Rs. 213,236
- Other liabilities as per NCB Rs. 1,580,917
- SST payable as per NCB Rs. 11,037,785
- Capital gain tax payable: Rs. 1,156,626
- Short-term loan as per NCB Rs. 213,510,711

ix. Details were not provided to the inspection team in terms of following transactions where it has been observed that second leg was neither available in general ledger nor in client ledger.

Voucher No.	Date	Particulars	Amount
PY 1307	14-Sep-15	PAYMENT 21932086	10,000,000

x. It was noted that as per Share Balance Report of December 31, 2016, shares in below mentioned instances were appearing as negative balance:

**ANL - AZGARD NINE LTD.**

Code and Title	CDC A/c	Balance	Pledged	Net Balance
064019 Suleman Khan	S-4242	3,000	5,000	(2,000)
067016 Syed Muhammad Ifran Pirzada	S-6296	500	1,000	(500)
023005, Suleman Khan	S-2402	50,000	100,000	(50,000)

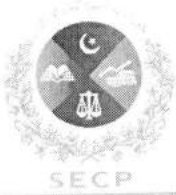
The above instances reveals that the Respondent was *prima facie*, non-compliant with Section 138(5) of the Act. The said section is reproduced as under:

*"Any person who, without reasonable excuse, fails to comply with a requirement imposed on him by an authorized person under this section commits an offence".*

(iii) **Use of client Bank Account** - Clause 4.18 of the Rule Book, which requires that the clients' funds and securities shall not be used by the Broker for any purpose other than as authorized by the client in writing in the manner and procedure prescribed by the Exchange and/or CDC. The Respondent was non-complaint with the said provisions as under:-

(a) The Respondent made payments from Client Bank account not pertaining to clients of the Respondent, instances noted as under:





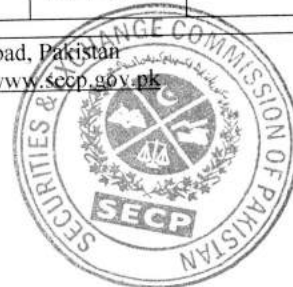
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Account Name: JS - NEW CLIENT ACCOUNT, Account Code: 0905029

VOU #	DATE	PARTICULARS	CHQ/SLIP	DEBIT	CREDIT
PY 1224	8-Sep-15	PAY TO DARSON SECURITIES PVT LTD	21932060		2,770,750
PY 1217	9-Sep-15	PAYMENT TO ABDUL RAZZAK TRADERS	21932051		900,000
PY 1217	9-Sep-15	PAYMENT TO ABDUL RAZZAK TRADERS	21932050		900,000
PY 1217	9-Sep-15	PAYMENT TO ABDUL RAZZAK TRADERS	21932049		900,000
PY 1218	9-Sep-15	PAYMENT TO SAEED DISTRIBUTORS	21932054		900,000
PY 1218	9-Sep-15	PAYMENT TO SAEED DISTRIBUTORS	21932053		900,000
PY 1218	9-Sep-15	PAYMENT TO SAEED DISTRIBUTORS	21932052		900,000
PY 1219	9-Sep-15	PAYMENT TO AKBER & SONS	21932055		900,000
PY 1219	9-Sep-15	PAYMENT TO AKBER & SONS	21932057		900,000
PY 1219	9-Sep-15	PAYMENT TO AKBER & SONS	21932058		900,000
PY 1219	9-Sep-15	PAYMENT TO AKBER & SONS	21932059		500,000
PY 1307	14-Sep-15	PAYMENT	21932086		10,000,000
RC 623	21-Sep-15	REC 3981130 BY DARSON SECURITIES		1,500,000	
RC 623	21-Sep-15	REC 3981132 BY DARSON SECURITIES		1,000,000	
RC 623	21-Sep-15	REC 3981131 BY DARSON SECURITIES		1,000,000	
RC 623	21-Sep-15	REC 3981129 BY DARSON SECURITIES		1,500,000	
RC 774	9-Oct-15	REC 4321428 BY DARSON SECURITIES		1,000,000	
RC 774	9-Oct-15	REC 4321429 BY DARSON SECURITIES		1,000,000	
RC 774	9-Oct-15	REC 4321426 BY DARSON SECURITIES		1,500,000	
RC 774	9-Oct-15	REC 4321427 BY DARSON SECURITIES		1,500,000	
PY 1741	15-Oct-15	PAY TO WAZIRABAD FILLING STATION	22290381		2,500,000

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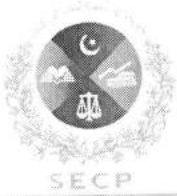
PY 1741	15-Oct- 15	PAY TO MADINA FOOD STUFF INDUSTRY	22290389		1,500,000
PY 1741	15-Oct- 15	PAY TO SOFIYAN GENERAL STORE	22290382		2,500,000
PY 1741	15-Oct- 15	PAY TO MADINA FOOD STUFF INDUSTRY	22290391		1,500,000
PY 1741	15-Oct- 15	PAY TO MADINA FOOD STUFF INDUSTRY	22290390		1,500,000
PY 1741	15-Oct- 15	PAY TO NAZEER GOODS TRANSPORT CO	22290394		2,000,000
PY 1741	15-Oct- 15	PAY TO NAZEER GOODS TRANSPORT CO	22290393		2,000,000
PY 1763	19-Oct- 15	PAYMENT TO LUCKY GENERAL STORE	22290402		2,500,000
PY 1763	19-Oct- 15	PAYMENT TO MALIK GENERAL TRADER	22290403		2,500,000
PY 1763	19-Oct- 15	PAYMENT TO SOFIYAN GENERAL STORE	22290404		2,500,000
PY 1763	19-Oct- 15	PAYMENT TO KAMI GENERAL STORE	22290405		2,500,000
PY 1763	19-Oct- 15	PAYMENT TO IMRAN BROTHERS & CO	22290406		2,500,000
PY 1763	19-Oct- 15	PAYMENT TO ADNAN GENERAL ORDER S	22290407		2,500,000
PY 1763	19-Oct- 15	PAYMENT TO PAK TRADING CO	22290408		2,082,000
PY 1763	19-Oct- 15	PAYMENT TO PAK TRADING CO	22290409		1,500,000
PY 1882	27-Oct- 15	DANIYAL PROPERTY	22367311		2,500,000
PY 1882	27-Oct- 15	PARACHA BROTHERS & PESTICIDE FERT	22367314		1,300,000
PY 1909	28-Oct- 15	PAYMENT TO NEW INSAF TRADERS	22367326		1,000,000
PY 1909	28-Oct- 15	PAYMENT TO NEW INSAF TRADERS	22367329		1,000,000
PY 1909	28-Oct- 15	PAYMENT TO NEW INSAF TRADERS	22367324		1,000,000
PY 1909	28-Oct- 15	PAYMENT TO NEW INSAF TRADERS	22367325		1,000,000
PY 1909	28-Oct- 15	PAYMENT TO NEW INSAF TRADERS	22367327		1,771,285
PY 2077	5-Nov- 15	PAYMENT TOT ARABIAN SEA ENTERPRIS	22367376		36,000,000
PY	12-Nov-	PAYMENT TO SAEED	22579168		1,638,000

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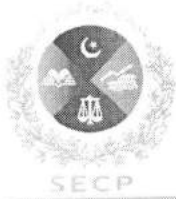
2214	15	DISTRIBUTOR			
PY 2235	13-Nov-15	PAY ORDER FOR BAHRIA TOWN PVT LTD	22579180		481,250
PY 2235	13-Nov-15	PAY ORDER FOR BAHRIA TOWN PVT LTD	22579174		481,250
PY 2235	13-Nov-15	PAY ORDER FOR BAHRIA TOWN PVT LTD	22579175		481,250
PY 2235	13-Nov-15	PAY ORDER FOR BAHRIA TOWN PVT LTD	22579176		481,250
PY 2235	13-Nov-15	PAY ORDER FOR BAHRIA TOWN PVT LTD	22579177		481,250
PY 2235	13-Nov-15	PAY ORDER FOR BAHRIA TOWN PVT LTD	22579178		481,250
PY 2235	13-Nov-15	PAY ORDER FOR BAHRIA TOWN PVT LTD	22579179		481,250
PY 2463	25-Nov-15	PAYMENT TO ARABIAN SEA ENTERPRISE	22776418		1,658,031
PY 2694	7-Dec-15	PAYMENT FOR DIRECTOR ADVERTISEME	22922013		1,087,500
PY 2694	7-Dec-15	PAYMENT FOR DIRECTOR ADVERTISEME	22922014		1,125,000
PY 2694	7-Dec-15	PAYMENT FOR DMC SOUTH	22922015		1,000,000
PY 2694	7-Dec-15	CASH PAYMENT TO MR GHAYAS.	22922017		1,000,000
<b>48 Instances</b>					<b>110 million</b>

- (b) The Respondent received amounts to/from clients by involving banks other than client designated banks, instances noted as under:

Account Code: 0905002					
Account Name: M.C.B. 0658242851000644					
VOU #	DATE	PARTICULARS	CHQ/SLIP	DEBIT	CREDIT
RC 74	15-07-	REC CHQ# BY		155,000	

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	2016	TAYYAB AFTAB			
RC 96	15-07-2016	FUNDS TRANSFERED BY ISHTIAQ AHMED	81326811	25,000	
RC 212	27-07-2016	CASH DEPOSITED BY EMMAD SIDDIQUE		25,000	
RC 265	05-08-2016	CASH DEPOSITED BY EMMAD SIDDIQUI		24,000	
RC 372	22-08-2016	FUND DEPOSITED BY SHAHID MANSOOR		100,000	
RC 476	02-09-2016	REC CHQ # 1544457080 BY FAHAD JAVAID	9752400	45,000	
RC 622	20-09-2016	CASH DEPOSITED BY SHADAB		160,000	
RC 703	29-09-2016	CHQ# 042878 DEPOSITED BY DANISH		23,000	
RC 950	19-10-2016	CHQ DEPOSITED # 1599576726 BY SHUNA		50,000	
RC 951	20-10-2016	REC CHQ # 1599576727 BY SHUNAID IQBA		50,000	
RC 987	25-10-2016	REC CHQ # 1599576729 BY SHUNAID IQBA	785851	50,000	
RC 987	25-10-2016	REC CHQ # 1599576728 BY SHUNAID IQBA	7889408	50,000	
PY 2636	25-10-2016	CHQ RETURN # 1599576728 BY SHUNAID I	slip7889408		50,000
RC 1009	26-10-2016	CHQ DEPOSITED # 1599576728 BY SHUNA	7889408	50,000	
RC 1024	27-10-2016	CHQ DEPOSITED # 1599576730 BY SHUNA	7869197	50,000	
RC 1049	28-10-2016	REC CHQ # 1599576725 BY SHUNAID IQBA	7869198	50,000	
RC 1245	21-11-2016	CHQ DEPOSITED # 993450 BY HAIDER ALI	2345513	250,000	
RC 1490	13-12-2016	CHQ DEPOSITED # 276270 BY ASSAD HUS	2340171	225,000	

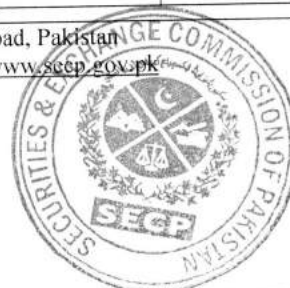
Account Code: 0905015

Account Name: HABIB BANK LTD (0035-79000858-03)

VOU #	DATE	PARTICULARS	CHQ/SLIP	DEBIT	CREDIT
RC 22	11-07-2016	REC CHQ # 10520394 BY SHAMILA ASIF		23,000	
RC 43	11-07-2016	CASH DEPOSITED BY ALTAF		9,000	

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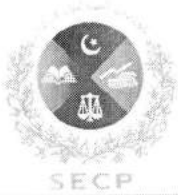




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		HUSSAIN			
RC 26	12-07-2016	FUND DEPOSITED BY ANAND KUMAR	IBFT	11,000	
RC 71	15-07-2016	CASH DEPOSITED BY AMINUDDIN		30,000	
RC 81	18-07-2016	FUND DEPOSITED BY MUHAMMAD ZIAUD	IBFT	50,000	
RC 82	18-07-2016	CASH DEPOSITED BY ZIAUDDIN		29,000	
RC 91	19-07-2016	FUND DEPOSITED BY MUHAMMAD ZIAUD	IBFT	50,000	
RC 92	19-07-2016	FUND DEPOSITED BY MUHAMMAD ZIAUD	IBFT	50,000	
RC 118	20-07-2016	FUND DEPOSITED BY MUHAMMAD ZIAUD	IBFT	50,000	
RC 121	21-07-2016	FUND DEPOSITED BY MUHAMMAD ZIAUD	IBFT	50,000	
RC 132	22-07-2016	FUNDS TRANSFERED BY ZIAUDDIN	IBFT	50,000	
RC 147	23-07-2016	FUND DEPOSITED BY MUHAMMAD ZIAUD	IBFT	50,000	
RC 148	25-07-2016	FUND DEPOSITED BY MUHAMMAD ZIAUD	IBFT	50,000	
RC 170	25-07-2016	CASH DEPOSITED BY ASAD RASOOL	401962	5,000	
RC 171	25-07-2016	CASH DEPOSITED BY MUHAMMAD SHAHZ	401964	2,000	
RC 156	26-07-2016	FUND DEPOSITED BY MUHAMMA ZIAUDDI	IBFT	50,000	
RC 168	27-07-2016	FUND DEPOSITED BY MUHAMMAD ZIAUD	IBFT	50,000	
RC 187	28-07-2016	FUND DEPOSITED BY MUHAMMAD ZIAUD	IBFT	50,000	
RC 195	28-07-	FUND DEPOSITED	IBFT	15,000	





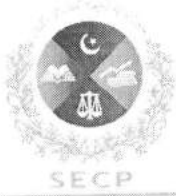
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	2016	BY ANAND KUMAR TIK			
RC 194	29-07- 2016	FUND DEPOSITED BY MUHAMMAD ZIAUD	IBFt	50,000	
RC 204	01-08- 2016	CASH DEPOSITED BY MUHAMMAD ZIAUD	IBFT	26,000	
RC 259	08-08- 2016	FUND DEPOSITED BY ANAND KUMAR TIK	IBFT	50,000	
RC 490	02-09- 2016	FUND DEPOSITED BY ANAND KUMAR TIK	IBFT	40,000	
RC 493	02-09- 2016	CASH DEPOSITED BY SALMAN ALI KHAN		24,000	
RC 508	06-09- 2016	REC CHQ # 38597978 BY MUHAMMAD AR		50,000	
RC 541	08-09- 2016	REC CHQ# 8118099 BY NASEEM		372,000	
RC 567	09-09- 2016	CASH DEPOSITED BY RIZWAN		25,000	
RC 595	19-09- 2016	FUND DEPOSITED BY ANAND KUMAR TIK		100,000	
RC 609	20-09- 2016	FUND DEPOSTED BY TARIQ MEHMOOD	IBFT	100,000	
RC 639	22-09- 2016	CHQ DEPOSITED # 41341218 BY ASHFAQ	7877347	1,500,000	
RC 808	10-10- 2016	CHQ DEPOSITED # 41341220 BY ASHFAQ		1,000,000	
RC 881	18-10- 2016	REC CHQ # 62492111 BY MUHAMMAD SHO	0841451	50,000	
RC 882	19-10- 2016	REC CHQ# 93420581 BY M.SHOAIB	0841452	50,000	
RC 899	20-10- 2016	CHQ DEPOSITED # 53221993 BY SALMA	1057304	650,000	
RC 946	24-10- 2016	CASH DEPOSITED BY FAHAD		25,000	

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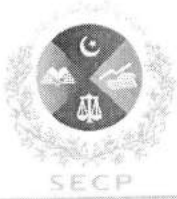
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		MANNAN			
RC 963	26-10-2016	CASH DEPOSITED BY FAHAD MANNAN	9050152	25,000	
RC 1038	31-10-2016	CASH DEPOSITED BY FAHAD MANNAN	9039558	10,000	
RC 1263	21-11-2016	CASH DEPOSITED BY M.SAQIB	2006075	25,000	
RC 1265	22-11-2016	CASH DEPOSITED BY M.SAQIB	2006221	25,000	
RC 1372	29-11-2016	CASH DEPOSITED BY M.SAQIB		25,000	
RC 1350	01-12-2016	CASH DEPOSITED BY FAHAD MANNAN		10,000	
RC 1373	01-12-2016	CASH DEPOSITED BY M.SAQIB		13,000	
RC 1410	07-12-2016	CASH DEPOSITED BY SHAFIQ AHMED		5,000	
RC 1451	07-12-2016	CASH DEPOSITED BY M.SAQIB	2403936	12,000	
RC 1464	08-12-2016	CHQ DEPOSITED # 55207 BY HAFIZ M.DAN	7122218	50,000	
PY 3797	09-12-2016	CHQ RETURN # 55207 BY HAFIZ M.DANIYA			50,000
RC 1497	14-12-2016	CHQ DEPOSITED # 55207 BY HAFIZ M.DAN	7122009	50,000	
RC 1550	20-12-2016	CASH DEPOSITED BY RIZWAN ALI		125,000	
RC 1566	22-12-2016	REC CHQ# 60502583 BY MRS ANEES		500,000	
RC 1575	22-12-2016	RCV CHQ 00000017 BY MR GHAYAS (JUNA)		20,000,000	
RC 1575	22-12-2016	RCV CHQ 00000023 BY MR GHAYAS (JUNA)		2,000,000	
RC 1587	22-12-2016	CHQ DEPOSITED # 55209 BY HAFIZ	7030787	50,000	
RC 1597	23-12-2016	CHQ DEPOSITED # 55210 BY HAFIZ M.DAN	7030647	50,000	

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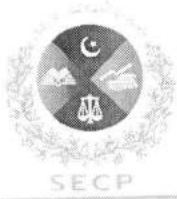
RC 1607	27-12-2016	CHQ DEPOSITED # 53221995 BY SALMA		900,000	
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Account Code: 0905018					
Account Name: BOK 00106-00-1					
VOU #	DATE	PARTICULARS	CHQ/SLIP	DEBIT	CREDIT
RC 4	04-07-2016	REC CHQ # 24529996 BY SHAZIA NAVEED		750,000	
RC 58	15-07-2016	REC CHQ# 1321397 BY IQBAL		400,000	
RC 275	09-08-2016	CHQ# 25822814 DEPOSITED BY SULTANA		175,000	
RC 403	26-08-2016	REC CHQ# 97210734 BY NAJAM		1,600	
RC 423	30-08-2016	REC CHQ# 25178001 BY WASEEM		19,000	
RC 449	01-09-2016	REC CHQ# 97210734 BY NAJAM		1,600	
RC 496	06-09-2016	REC CHQ# 12063182 BY KASHIF		500,000	
RC 665	27-09-2016	REC CHQ# 11038537 BY AMJAD		150,000	
RC 711	03-10-2016	REC CHQ# 58095750 BY FAIZAN		50,000	
RC 749	05-10-2016	CHQ DEPOSITED 25822816 BY SULTANA	874690	150,000	
RC 773	07-10-2016	REC CHQ#10762479 BY SHEIKH IMRAN TA		500,000	
RC 848	18-10-2016	REC CHQ # 28651 BY MUHAMMAD WAQAS		985,000	
RC 848	18-10-2016	REC CHQ # 28650 BY MUHAMMAD WAQAS		970,000	
RC 867	19-10-2016	REC CHQ # 644339 BY SALIM CHAMDIA		5,000	
RC 973	27-10-2016	REC CHQ# 10583076 BY ASHFAQ		50,000	
RC 1030	01-11-	CHQ DEPOSITED #	1070838	385,000	

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	2016	25822817 BY SULTANA			
RC 1034	02-11-2016	REC CHQ# 23933994 BY FATIMA		50,000	
RC 1034	02-11-2016	REC CHQ# 10762488 BY TAYYAB AFTAB		500,000	
RC 1054	03-11-2016	REC CHQ# 23933995 BY FATIMA		50,000	
RC 1287	24-11-2016	CASH DEPOSTIED BY RANA IMRAN		25,000	
RC 1450	07-12-2016	CASH DEPOSITED BY RANA IMRAN AYUB		25,000	
RC 1458	10-12-2016	REC CHQ# 34113 BY MARYUM		50,000	
RC 1632	29-12-2016	REC CASH BY RANA IMRAN		25,000	
RC 1648	30-12-2016	CHQ DEPOSITED # 27474780 BY RANA IMR		500,000	

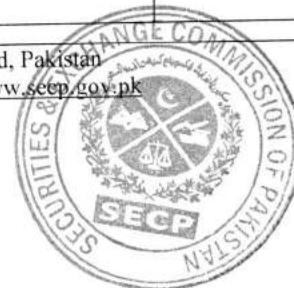
**Account Code: 0905019**

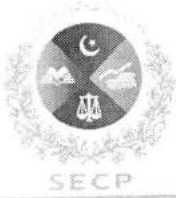
**Account Name: BANK ALHABIB LIMITED**

VOU #	DATE	PARTICULARS	CHQ/SLIP	DEBIT	CREDIT
RC 52	14-07-2016	REC CHQ# 10231489 BY GHULAM HASSAN		1,000,000	
RC 52	14-07-2016	REC CHQ# 10231490 BY GHULAM HASSAN		1,000,000	
RC 52	14-07-2016	REC CHQ# 10231491 BY GHULAM HASSAN		1,000,000	
RC 106	20-07-2016	FUNDS REC BY JS CURRENT ACCOUNT	IBFT	2,000,000	
RC 109	20-07-2016	FUND DEPOSITED BY SHAISTA FARHAN	IBFT	49,000	
RC 173	22-07-2016	FUND DEPOSITED BY SHAISTA FARHAN	IBFT	35,000	
RC 141	25-07-2016	REC CHQ # 10372980 BY SITAL DAS	6902049	500,000	

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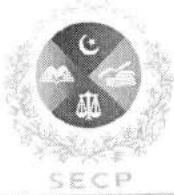
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RC 141	25-07-2016	REC CHQ # 10372979 BY SITAL DAS	6902047	500,000	
RC 142	25-07-2016	FUND DEPOSITED BY SHAISTA FARHAN	IBFT	35,000	
RC 184	28-07-2016	REC CHQ#10273181 BY GHULAM		400,000	
RC 215	02-08-2016	FUND DEPOSITED BY SHAISTA FARHAN	IBFT	49,000	
RC 223	02-08-2016	REC CHQ # 10273179 BY GHULAM HASSA		45,000	
RC 247	04-08-2016	REC CHQ # 10670168 BY ALI ASHGAR	0223981	48,000	
RC 261	05-08-2016	FUND DEPOSITED BY SHAISTA		21,000	
RC 262	05-08-2016	FUND DEPOSITED BY SHAISTA FARHAN	IBFT	49,000	
RC 433	30-08-2016	FUND DEPOSITED BY MUHAMMAD WAQA	IBFT	50,000	
RC 459	31-08-2016	REC CHQ # 6382007 BY MUHAMMAD SIDD	00308814	900,000	
RC 475	02-09-2016	FUNDS REC BY JS CURRENT ACCOUNT		2,000,000	
RC 477	02-09-2016	REC CHQ# 10276627 BY RAZA		50,000	
RC 512	06-09-2016	REC CHQ# 10276628 BY RAZA		50,000	
RC 525	06-09-2016	FUND DEPOSITED BY KAMIL MALIK KHAN	IBFT	80,000	
RC 526	07-09-2016	FUND DEPOSITED BY KAMIL MALIK KHAN	IBFT	100,000	
RC 644	22-09-2016	REC CHQ # 10824690 BY SHOAIB GHULAM		50,000	
RC 767	06-10-2016	REC CHQ # 10187201 BY	2373468	50,000	

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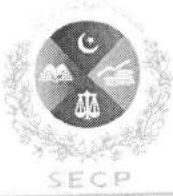
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		MUHAMMAD ASIF			
RC 800	08-10-2016	REC CHQ # 10824693 BY SHOAIB GHULAM		25,000	
RC 858	10-10-2016	CASH DEPOSITED BY QURAT UL AIN MIRZ		5,000	
RC 852	17-10-2016	FUND DEPOSITED BY KAMIL MALIK KHAN		125,000	
RC 853	17-10-2016	FUND DEPOSITED BY MUHAMMAD WAQA		50,000	
RC 870	18-10-2016	CHQ DEPOSITED # 10824694 BY SHAOIB G	5646533	12,000	
RC 872	19-10-2016	RCV CHQ 10808381 BY ADNAN ABID		4,000,000	
RC 923	24-10-2016	FUND DEPOSITED BY SAEED AHMED QUR		50,000	
RC 1006	28-10-2016	CHQ DEPOSITED # 10824696 BY SHOAIB	6699873	146,000	
RC 1022	28-10-2016	FUND DEPOSITED BY KAMIL MALIK KHAN		200,000	
RC 1019	01-11-2016	REC CHQ # 10808383 BY ADNAN ABID	2785315	3,000,000	
RC 1042	02-11-2016	CHQ DEPOSITED # 10230119 BY M.FARHA	3389718	10,000	
RC 1067	03-11-2016	CHQ DEPOSITED # 10824700 BY SHOAIB	9406734	1,000,000	
RC 1131	10-11-2016	IBFT TRANSFERED BY SIDDIQ		85,000	
RC 1135	10-11-2016	REC CHQ # 10824701 BY SHOAIB GHULAM	3197569	50,000	
RC 1157	11-11-2016	FUNDS TRANSFER THROUGH ATM BY ASI		100,000	
RC 1204	16-11-2016	FUND DEPOSITED BY M.SIDDIQ		100,000	

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RC 1303	28-11-2016	FUND DEPOSITED BY M.IRSHAD HUSSAIN		49,000	
RC 1323	29-11-2016	FUND DEPOSITED BY M.IRSHAD HUSSAIN		49,000	
RC 1383	30-11-2016	FUND DEPOSITED BY SHOAIB MIRZA		5,000	
RC 1461	09-12-2016	CHQ DEPOSITED # 10824705 BY SHOAIB	3198611	200,000	
RC 1496	14-12-2016	CHQ DEPOSITED # 10824707 BY SHOAIB	1695727	500,000	
RC 1511	15-12-2016	FUND DEPOSITED BY SHAISTA FARHAN		49,000	
RC 1523	16-12-2016	REC CHQ # 10824709 BY SHOAIB GHULAM	1695947	1,033,000	
RC 1588	23-12-2016	FUND DEPOSITED BY SYED NAJAM		45,000	
RC 1637	29-12-2016	FUND DEPOSITED BY M.ANWER		20,000	

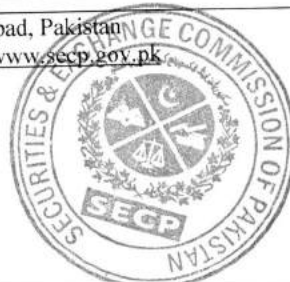
**Account Code: 0905028**

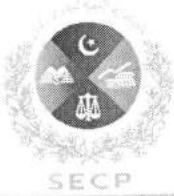
**Account Name: NIB**

VOU #	DATE	PARTICULARS	CHQ/SLIP	DEBIT	CREDIT
RC 59	14-07-2016	CASH DEPOSITED BY ISHTIAQ AHMED		25,000	
RC 78	15-07-2016	REC CHQ # 29176920 BY (FASEEH 136003)		50,000	
RC 79	15-07-2016	REC CHQ # 276268 BY ASSAD HUSSAIN		33,300	
RC 97	19-07-2016	CASH DEPOSITED BY ISHTIAQ		20,000	
RC 260	03-08-2016	REC CHQ # 39228467 BY FASEEH UR REH		50,000	
RC 289	08-08-2016	REC CHQ # 16727 BY IMRAN SHAHZAD		10,000	
RC 317	15-08-	REC CHQ #		850,000	

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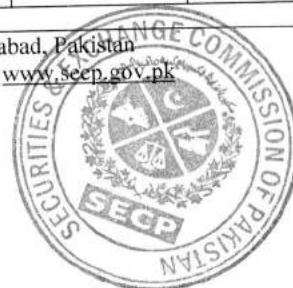


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	2016	43002517 BY RIZWAN AHMED			
RC 347	17-08- 2016	CASH DEPOSITED BY MUHAMMAD SIDDIQ		25,000	
RC 348	18-08- 2016	CASH DEPOSITED BY MUHAMMAD SIDDIQ		25,000	
RC 365	19-08- 2016	CASH DEPOSITED BY MUHAMMAD SIDDIQ		25,000	
RC 608	15-09- 2016	REC CHQ # 60869591 BY M.TAHIR BASHIR		5,000	
RC 667	26-09- 2016	REC CHQ # 60869592 BY MUHAMMAD TAH		300,000	
RC 669	26-09- 2016	CASH DEPOSITED BY ASMA IFTIKHAR		25,000	
RC 713	29-09- 2016	CASH DEPOSITED BY ASMA IFTIKHAR		25,000	
RC 833	14-10- 2016	CHQ DEPOSITED # 60869593 BY M.TAHIR		700,000	
RC 914	21-10- 2016	CASH DEPOSITED BY TAHIR NAWAZ		49,000	
RC 979	26-10- 2016	CHQ DEPOSITED # 16728 BY IMRAN SHEH		50,000	
RC 980	26-10- 2016	CHQ DEPOSITED # 39228464 BY FASEEH		20,000	
RC 981	26-10- 2016	CHQ DEPOSITED # 993447 BY HAIDER ALI		50,000	
RC 993	27-10- 2016	CHQ DEPOSITED # 993448 BY HAIDER ALI		50,000	
RC 1040	01-11- 2016	CASH DEPOSITED BY M.SIDDIQ		25,000	
RC 1039	02-11- 2016	CASH DEPOSITED BY M.SIDDIQ		25,000	
RC 1123	09-11- 2016	REC CHQ# 41616449 BY FAROOQ		210,000	

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RC 1255	22-11-2016	CHQ DEPOSITED # 0142620 BY M.YOUNUS	30,000
RC 1312	28-11-2016	CHQ DEPOSITED # 43002531 BY RIZWAN	350,000
RC 1604	26-12-2016	CASH DEPOSITED BY ASMA IFTIKHAR	25,000
RC 1633	28-12-2016	CASH DEPOSITED BY ASMA IFTIKHAR	25,000

- (c) Review of the Respondent's Client Asset Segregation Statement ("CASS") as on December 31, 2016 submitted with PSX and back office records reveals following differences:

Head of Account	Balance as per Client Asset Segregation Statement	Balance as per Trial Balance
<b>Amount in Rupees</b>		
Trade Payables	126,150,948	159,172,938
Exposure margins with SROs	137,138,547	106,519,093
Difference	<b>10,987,599</b>	<b>(52,653,845)</b>

- (iv) **Received/made payments in cash from/to clients** - Clause 4.24 of the Rule Book, which require a securities broker to receive/make payments of Rs. 25,000/- and above from/to customers drawn on customer's own bank account/in the name of customers only in the manner as provided in Standard Terms and Conditions of Standardized Account Opening Form prescribed under chapter 4 of the Rule Book. Findings of the inspection report reveals that cash has been received from clients and payment in cash has been made to the client by the Respondent without proper issuance of receipt and reporting of it to National Clearing House System ("NCHS"), instances noted as under:

Voucher No.	Voucher date	Description	Amount
RC 2937	13-06-2016	RECEIVE FROM MG MEDIA PVT LIMITED	3,000,000
PY 6315	25-05-2016	MG MEDIA & NASH NEW STAMPS	900
PY 4617	7/3/2016	PAYMENT TO MG MEDIA	1,152,120
PY 5156	4/4/2016	TRANSFER TO MG MEDIA FOR PAYMENT	577,448
PY 5395	13-04-2016	TRFRD TO MG MEDIA FOR TABBA FOUND	450,000
PY 5405	14-04-2016	TRANSFERED TO MG MEDIA	2,200,000.00

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(v)	PE 5583	26-04-2016	TRANSFER TO MG MEDIA FOR PAYMENT	3,000,000
	XY 5662	28-04-2016	PAYMENT TO MG MEDIA (MARIUM ALIMO)	4,500,000
	RY 5724	2/5/2016	PAYMENT TO MG MEDIA PVT LTD	982,000
	UY 5915	10/5/2016	TRANSFR TO MG MEDIA FOR PAYMENT T	2,667,100
	ey 5961	10/5/2016	TRANSFER TO MG MEDIA FOR PAYMENT	1,300,000
	PY 6156	18-05-2016	TRANSFERED TO MG MEDIA TO GENERAL	5,367,375
	RC 2784	27-05-2016	REC CHQ# 23675340 BY MG MEDIA	2,500,000
	an PY 6410	30-05-2016	TRANSFER TO MG MEDIA PRIVATE LIMITE	729,000
	sa PY 6608	3/6/2016	TRANSFER TO MG MEDIA TO (MR.ASLAM)	815,862
	RC 2943	13-06-2016	REC CHQ# 23675354 BY MG MEDIA	30,000,000
	PY 6775	13-06-2016	PAYMENT TO NASH INC TO MG MEDIA	1,400,000
	RC 2962	16-06-2016	FUNDS RCV BY MG MEDIA (JUNAID)	1,638,075
	RC 3030	27-06-2016	REC CHQ # 23675370 BY MG MEDIA	15,361,925
	nn BY 6963	27-06-2016	PROFIT PAID TO JUNAID THROW MG MED	209,132

**without permission of the client** - Regulation 19 of the Brokers Regulations forbids a Securities brokers to execute order of a customer without seeking instructions from such customer. The said regulation provides as under:

“Regulation 19, Execution of customer orders.- (1) A securities broker shall not deal in securities on account of a customer without instructions of such customer”.

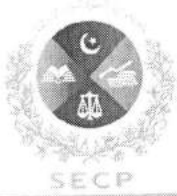
Findings of the inspection report reveals that the employees of Respondent traded in 36 accounts on behalf of a client named Mr. Adnan Abid without his formal written authorization in standardized Account Opening Form in violation of Regulation 19 of the Brokers Regulations.

- (vi) **No Separate Account for Proprietary Trading and non- registration of director in the UIN database-** Clause 7.5 of Rule Book requires Brokers that every broker who engages in proprietary trading shall have a separate account. The account shall be in the name of the broker, agent or an associate person and the title of the account must contain the word “proprietary”. Moreover, Unique Identification Number Database, being maintained by NCCPL, requires the “Category” field wherein, broker has to specify the clients’ status, which helps trading system to ensure compliance with said regulatory requirement. Findings of the inspection report reveals that the Respondent did not register one of its directors in the UIN database. The detail is as below:

Sr. No.	Name	CNIC
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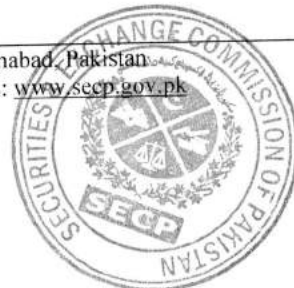


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1.	Muhammad Ghayas Uddin	4230146287953
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- (vii) **Non-implementation of KYC and CDD Policies-** Clause 4.17 of Rule Book requires Brokers to formulate and implement Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and framework in accordance with the guidelines issued by the PSX (the then KSE) vide Notice No. KSE/N- 1388 dated March 16, 2012, with the prior approval of the Commission and any notices or circulars issued by the Commission from time to time. Findings of the inspection report reveals that the Respondent did not formulate and implement KYC and CDD policies in accordance with said clause and guidelines issued by PSX and the Commission.
- (viii) **Non-maintenance of SAOFs and non-availability of the requisite documents-** Regulation 13 of the Brokers Regulations requires that securities broker shall ensure that the information contained in the account opening form is updated, complete and correct and shall ensure that the mobile number and/or the email address of the customer is registered in the central depository's and clearing company's record as per the regulations of the central depository and the clearing company. Clause 4.17 of the Rule Book also requires the Brokers to adopt Standardized Account Opening Form as amended from time to time for all their Account holders. Findings of the inspection report reveals that SAOFs were not properly filled, updated of the following account holders and requisite documents were not attached. Detail is as under:-

No	Name of account holder	Information not available in SAOF
1	Sheikh Muhammad Rizwan	Occupation/Detail of business not provided Details of commission not mentioned/signed
2	Waheed Ahmad	Occupation/Detail of business not provided Details of commission not mentioned/signed
3	Farida	Occupation/Detail of business not provided Details of commission not mentioned/signed CNIC Expired
4	Khurban Ali	Occupation/Detail of business not provided Details of commission not mentioned/signed CNIC Expired
5	Syed Hasan Haider	Occupation/Detail of business not provided Details of commission not mentioned/signed CNIC Expired
6	Adnan Abid	Details of contact person incomplete Details of commission not mentioned/signed
7	Nayab Tariq	Details of commission not mentioned/signed
8	Sikander Mahmood	Details of commission not mentioned/signed
9	Tayyab	Occupation/Detail of business not provided Details of commission not mentioned/signed CNIC expired
10	Farooq Aziz	Occupation/Detail of business not provided Details of commission not mentioned/signed





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- (ix) **Discrepancies in CDC- Sub Account Opening Forms.** Regulations 6.2.2 of CDC Regulations requires that it is broker's responsibility to ensure that all the required particulars are properly filled in Sub-Account Opening Form. Regulations 13(3) of Brokers Regulations also requires that securities broker shall ensure that the information contained in the account opening form is updated, complete and correct and shall ensure that the mobile number and/or the email address of the customer is registered in the central depository's and clearing company's record as per the regulations of the central depository and the clearing company. Findings of the inspection report reveals that following requisite information was not available in the CDC-sub-account opening forms of the following clients/sub-account holders:

No	Name of account holder	Information not available in CDC-Sub-Account Opening Form
1	Sheikh Muhammad Rizwan	Occupation/Detail of business not provided
2	Waheed Ahmad	Occupation/Detail of business not provided
3	Farida	Occupation/Detail of business not provided
4	Khurban Ali	Occupation/Detail of business not provided
5	Syed Hasan Haider Naqvi	Occupation/Detail of business not provided
6	Adnan Abid	Occupation/Detail of business not provided
7	Tayyaba	Occupation/Detail of business not provided

3. In light of the findings of the inspection, the Commission served the SCN to the Respondent under section 150 of the Act. The Respondent through its chief executive was:

- (i) Called upon to show cause in writing as to why action should not be taken under section 150 of the Act for contravening various provisions of the regulatory framework mentioned above. and
- (ii) Advised to appear before the undersigned on October 16, 2017 to explain the stance in person.

4. The written response was submitted by the the Respondent during the hearing on October 16, 2017 at Karachi office, which is re-produced below in verbatim:

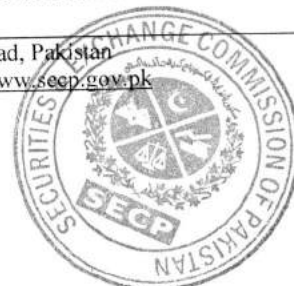
*Reference is made to your letter No. 1 (109) SMD/PRPD/KSE/2017. Below are the explanations of non-compliances identified during inspection of books and records conducted by SECP.*

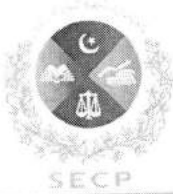
1. *We do not have any Branch Office in Hyderabad and we have no idea where your team has visited for such Branch Office. The documents observed as indicated by you do not mean that we have a Branch Office in Hyderabad as we have our clients in many cities of Pakistan including in Hyderabad. We dispatch client confirmations directly at their respective mailing addresses.*

2 (i). *Loan agreement pertaining to MG Media is attached herewith this letter.*

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- (ii). All general ledgers were already provided.
- (iii). The transactions of receipt/payment to MG Media (Pvt.) Limited relates to the temporary loan from/to MG Media (Pvt.) Limited. (Copies of available cheques received/issued to MG Media (Pvt.) Ltd. were also provided).
- (iv). Payment appearing in ledger as rent expense is actually not rent payment it is a narrative error. The amount of Rs.12,000/- was paid to one of our employee who looks after our out of city clients. Further, we do not have any agreement with Mr. Imtiaz Sheikh/Farhana Sheikh.
- (V). Amount mentioned as cash received was the short term arrangement of funds which were required to fulfill Company's financial obligations on urgent basis.
- (Vi). Transaction appearing as re-imburement in petty cash belongs to the cash withdrawal required to meet certain expenses such as renovation of Company's new Head Office.
- (Vii). Reconciliation of difference in NCB (receivables) as on December 31, 2016 is enclosed herewith referred to "Annexure-I".
- (Viii). The differences in the mentioned accounts are due to the accrual entries.
- (ix). The Transactions of Rs. 10,000,000/- was posted in "Inter cash & bank" ledger. It was a simple transaction of moving funds from our one bank account to another.
- (x). The negative balances appearing in the Back Office record because of the update pledge file was not uploaded in Back Office.
- 3 (a). Previously in certain circumstances funds were deposited & withdrawn mistakenly from clients Bank Account which do not pertains to our clients. Afterward we ensured that no such instances take place.
- (b). In earlier days certain payments and receipts were made from House Account just in order to facilitate our clients for immediate execution of transactions. Later on we ensured that no such instances take place.
- (c) Reconciliation of fortnightly CASS is enclosed herewith referred to "Annexure-II".
4. Instances noted as cash transactions are not cash transactions. Mentioned payments/receipts were made through bank account.
5. Mr. Adnan Abid had given verbal authority to operate his accounts. However, please note that all his accounts were properly settled and have a zero balance. No trades are being conducted in any of his accounts.
6. Since Mr. Muhammad Ghayas Uddin is Non-Executive Director of Din Capital Limited therefore, he is not registered as employee and /or in NCCPL UIN data base.
7. We have already updated our KYC and CDD policy in accordance with the guidelines issued by PSX and the Commission and is duly approved by the Board of Directors.





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8 & 9. *Previously we filled the Account Opening Forms as per information provided by the customers in which some information as indicated not filled/overlooked or not mentioned by the customer at the time of filling the Account Opening Form. However, currently we have been taking care while filling the Account Opening Forms and ensure that all the information pertains to customer and/or as required must be filled in and attaching the list of transaction fee, commission to be charge duly signed by the client and broker with Account Opening Form including details of occupation/business documents mandatory for Account Opening.*

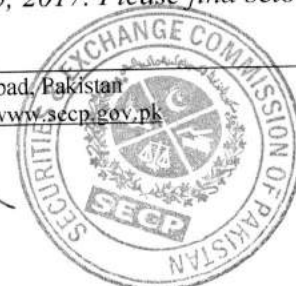
5. On October 16, 2017, Mr. Ali Asghar Nanji, Chief Executive and Mr. Muhammad Waqas, Chief Financial Officer of the Respondent (“**Representatives**”) appeared before me through Videocon from the Commission office located at Karachi. The Representatives reiterated the submissions made by the Respondent in writing. The Representatives during the hearing admitted that:

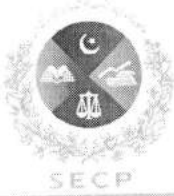
- (i) Mr. Imtiaz Hussain Shaikh and some other individuals were working as freelancer with it without being registered as an agent with the Commission. However, the Respondent has discontinued their services after the receipt of the inspection report and SCN.
- (ii) Clients’ funds were withdrawn & deposited from client Bank account, which do not pertain to their clients in certain circumstances.
- (iii) In order to facilitate clients for immediate execution of transactions certain payments and receipts were made from House Account. However, after the inspection no such instances took place.
- (iv) It has not obtained written authorization for trading in accounts of Mr. Adnan Abid from the client.
- (v) Its director Mr. Muhammad Ghayas Uddin is not register in the UIN database of NCCPL.
- (vi) SAOF and CDC Forms of clients’ as indicated in SCN were not completely filled and overlooked due to one and other reason.

The Respondent contended that instances noted as cash transactions were not cash transactions and mentioned payments/receipts were made through bank account. With regard to KYC and CDD, the Respondent contended that it has updated polices as per Commission requirement and PSX guidelines. At the end of hearing, the Respondent was asked to provide details of free lancers along with address of their offices and provide comments/justifications regarding observations of KYC and CDD policies and difference between segregation statement and back office record.

6. In response, the Respondent vide its letter October 17, 2017 submitted the following response:

*Reference is made to the hearing held on Oct 16, 2017 against show cause notice vide letter No. 1(109)SMD/PRPD/KSE/2017 dated Oct 05, 2017. Please find below the*





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information that was required during the hearing. We had eight freelancer dealers whose details are provided below:

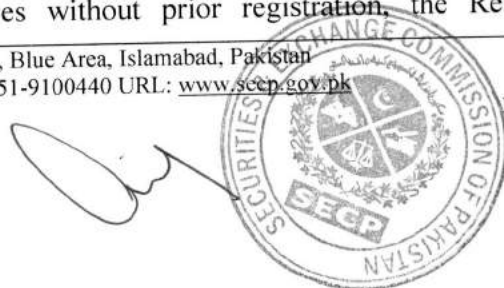
S. No.	Name	CNIC	Location	Discontinuation, date as Freelancer
1	Miss. Basma	42101-6458380-6	Karachi Head Office	29 Jun 2017
2	Mr. Ahsan	42301-5690042-1	Karachi Head Office	10 Jul 2017
3	Mr. Abdur Rahim	42201-9512987-3	Karachi Head Office	10 Jul 2017
4	Mr. Imran Rafiq	42301-0832275-3	Karachi Head Office	03 Oct 2016
5	Mr. Siraj	42301-4342257-1	Karachi Head Office	21 Sep 2017
6	Mr. Zahid	42301-6456129-3	Karachi Head Office	12 May 2017
7	Shariq	42201-0777516-7	Karachi Head Office	08 Aug 2017
8	Mr. Imtiaz Hussain	41306-1663463-9	Hyderabad	07 Jun 2017

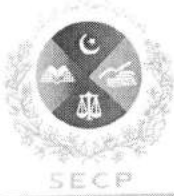
All general ledgers were provided to the inspection team on vide email dated 03-03-2017 (copy attached)

KYC and CDD policy were updated according to the regulations as prescribed by the Exchange on 13 Jun 2017 and were duly approved by the Chief Executive.

7. After hearing the arguments of the Representatives, going through the available record, including written responses of the Respondent to the SCN and findings of the inspection team, the following conclusions have been made observations wise :-

- i. **Operating with an un-approved/un-registered agent and branch office at Hyderabad.** It was alleged in the SCN that the Respondent was operating with un-approved/un-registered agent and branch office at Hyderabad. In this regard, the Respondent in its written response and during hearing has admitted that Mr. Imtiaz Hussain Shaikh and seven other individuals were working as freelancers with it and their location was Karachi head office and Hyderabad. The Respondent further admitted that these persons were neither registered as an agent of the Respondent nor their business places were approved as a branch office of the Respondent. The Respondent further informed that services of these freelancers have been discontinued and assured the Commission the same will not be repeated in future. I have reviewed the General Ledgers and Client Trial Balance of the Respondent and it has also transpired the fact that monthly rent was being paid by the Respondent for Hyderabad branch and commission was also paid to Mr. Imtiaz and other freelancers, on their services and on the basis of trading of the clients. Moreover, receiving trade confirmations by Mr. Imtiaz's on behalf of clients of the Respondent referred by it and having SAOFs of the Respondent at place of Hyderabad branch convinced me that Mr. Imtiaz and other seven persons were performing the functions of an agent/ Representative of the Respondent and operating branch offices without approval and permission from the Commission and PSX. To act as agent of a securities broker is a licensed activity under the Securities Act, 2015. Moreover, there is no concept of freelancers in the regulatory framework. Thus, allow to act as agents of the Respondent, operation of branch offices without prior registration, the Respondent's





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admission in this regard and available evidence on the record has convinced that the Respondent is non-complaint of Regulation 16(2)(g) of Brokers Regulations, clause 22 and 4.12 of the PSX of Rule Book.

ii. **Non-Provision of Information to Investigation team;** It was alleged in the SCN that the Respondent had not provided the following information/documents to inspection team. In this regard, the Respondent during the hearing has failed to provide any evidence, which could establish that the following information/documents were provided to the inspection team.

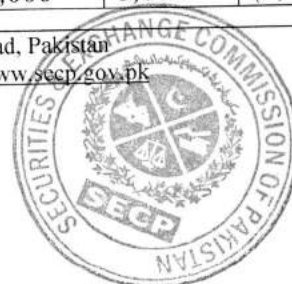
- a. *Loan agreement pertaining to MG Media that was demanded through email dated July 5, 2017 and July 6, 2017. The Respondent provided copy of agreement on the date of hearing. It has been concluded that the Respondent has failed provide the copy of the same during the investigation/investigation officers.*
- b. *Ledger of loan to executives (0901004) for the period upto December 31, 2016, required through email dated July 5, 2017.*
- c. *Detail of Receipts / payments to MG Media, nature, detail of agreement, terms and conditions etc. and supporting evidence in respect of transactions appearing in client / general ledgers.*
- d. *Details in respect of rent expense appearing in ledger (1102002), details of Mr. Imtiaz Hussain Sheikh and Farhana Sheikh alongwith agreements / details of payments.*
- e. *Details of cash received from Junaid (00103&) dated January 6, 2015, evidences required through email dated July 13, 2017.*
- f. *Nature of transactions appearing as Reimbursement in petty cash required through email dated July 13, 2017.*
- g. *The reconciliations along with reasons, proper narrations matches with the aging schedule balance in respect of the following difference noted by the inspection team in schedules / trial balance and NCB of the Respondent as on December 31, 2016.*
- h. *Details and reconciliation of the followings accounts: Receivable from NCCPL, amounting to Rs. 24.85 million, IPO payable as per NCB Rs. 213,236, Other liabilities as per NCB Rs. 1,580,917, SST payable as per NCB Rs. 11,037,785, Capital gain tax payable: Rs. 1,156,626, Short-term loan as per NCB Rs. 213,510,711*
- i. *Details were not provided to the inspection team in terms of following transactions where it has been observed that second leg was neither available in general ledger nor in client ledger.*

Voucher No.	Date	Particulars	Amount
PY 1307	14-Sep-15	PAYMENT 21932086	10,000,000

j. *Reasons were not provided below mentioned instances appearing as negative balance as per Share Balance Report of December 31, 2016*

*ANL - AZGARD NINE LTD.*

Code and Title	CDC A/c	Balance	Pledged	Net Balance
064019 Suleman Khan	S-4242	3,000	5,000	(2,000)





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067016 Syed Muhammad Ifran Pirzada	S-6296	500	1,000	(500)
023005, Suleman Khan	S-2402	50,000	100,000	(50,000)

Based on the above, I am of the view that the Respondent has failed to provide the requisite information to the inspection team during the course of inspection and thus caused hindrance in inspection in violation of Section 138(5) of the Act.

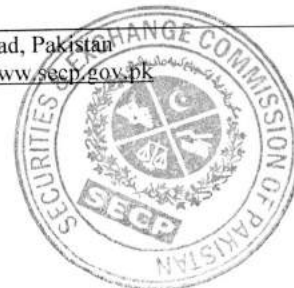
- iii. **Misuse of Client Bank Account.** a). *It was alleged that Respondent made payments from clients Bank Account not pertaining to clients of the Respondent and received/paid amounts to/from clients by involving other than client designated banks*

The Respondent in its written response and during the hearing has admitted its lapse and stated that in certain circumstances clients' funds were withdrawn from client Bank account, which does not pertain to their clients. Review of the Client Bank Account has also revealed **48 instances** where payments were made from the Client Bank Account to other persons during September 15, 2015 to December 31, 2015. The total payment made wrongly comes to Rs. **110 million**. The Respondent further admitted that certain payments and receipts were made from the Respondent's bank accounts *i.e* other than client designated banks in order to facilitate its clients for immediate execution of transactions during the period September 15, 2015 to December 31, 2015. Review of other Bank Accounts of the Respondent has also revealed **172 instances** where payments were received from clients but deposited in the following banks accounts of the Respondent rather than the client bank account. Details of these are as under:-

No. of Instances	Period	Bank Used	Received (Rs.)
18	15.9.2015 to 31.12. 2015	M.C.B. 0658242851000644	1,382,000
54		HABIB BANK LTD (0035-79000858-03)	28,661,000
24		Account Name: BOK 00106-00-1	6,317,200
49		BANK ALHABIB LIMITED	20,969,000
27		NIB Account Code: 0905028	3,077,300
<b>172</b>			<b>60,406,500</b>

In view of the above, I am convinced that the Respondent violated Clause 4.18 of Rule Book.

- a. *Differences in Clients Assets Segregations Statement as on December 31, 2016 and back office record*, With regard to difference of Rs. 34 million in head of payables, The Respondent has explained that the said difference/payable pertains to house account/proprietary account and does not belong to any individual. Although it was given titled, as Sikandar Mahmood-61003 and he was the authorized person of the Respondent. Review of the two reports of back office and NCCPL provided by the Respondent has revealed that the account No. 061003 was allotted a unique KATS code 'D12' and 'D12' is the proprietary account of the Respondent. With regard to difference in head of exposures



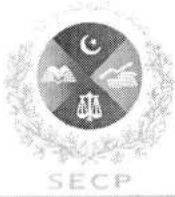


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margins with SROs, the Respondent has provided the complete detail of all margins of Rs. 137,138,547, maintained with markets. In view of the above, the Respondent stance is tenable.

- iv. **Receive payments of 25000/- or above in cash from/to clients.** The Respondent's contention that instances noted as cash transactions are not cash transactions. Review of the record provided by the Respondent has revealed that most of transactions were made through cheques. Therefore, the Respondent's stance is tenable.
- v. **Execution of transactions without permission of the client,** In this regard, the Respondent in its written response and the Representatives during the hearing admitted that the Respondent traded in 36 accounts on behalf of a client named Mr. Adnan Abid without his formal written authorization in Standardized Account Opening Form. Therefore, I have concluded that the Respondent was non-compliant of Regulation 19 of the Brokers Regulations.
- vi. **Non-registration of director in UIN database,** In this regard, the Respondent in written and during hearing has admitted that it could not register Mr. Ghayas Uddin, director of the Respondent in UIN database as required as per clause 7.5 of PSX Rule Book.
- vii. **Discrepancies in SAOFs of account holders & CDC- Sub Account Opening Forms** The Respondent in its written response and the Representatives during the hearing has admitted that requisite information as indicated in SCN (*i.e. occupational/detail of business, detail of commission, updated CINC,s signatures of clients*) could not be made available in the clients account opening forms and the same is overlooked due to one and other reasons. Moreover, review of record has also revealed that the requisite information was not mentioned in SAOFs of 10 account holders and CDC-Sub Account Opening Forms of 7 account holders/clients. Pursuant to Regulations 13(3) of Brokers Regulations and Regulation and 6.2.2 of CDC Regulations it was the Respondent's responsibility to ensure that all the required particulars are properly filled, updated in Account Opening Forms. Therefore, violations of Regulations 13(3) of Brokers Regulations and Regulation and 6.2.2 of CDC Regulations on the part of Respondent is established.
- viii. **Non-implementation of KYC and CDC policies,** In this regard, the Respondent's contended that Respondent's KYC and CDD policies were in accordance with the guidelines issued by PSX and the Commission and duly approved by Board of Directors. However, the Respondent did not provide any evidence of implementation/compliance of KYC and CDC policies in respect of the following:-
- Customer risk rating,
  - Investment profiling of clients,
  - Customer Identification /source of funds,
  - Physical appearance,
  - Risk Assessment,
  - due diligence,
  - Ongoing diligence simplified due diligence.





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In view of the above, I am convinced that the Respondent stance is not tenable and violations of Clause 4.17 of Rule Book is established.

8. In view of the foregoing, it is evident that the Respondent has not obtained license of its eight un-accredited agents/Representatives and branch offices from the Commission and PSX rather allowed them to function as freelancer unlawfully. The Respondent has not provided the requisite information/documents to the inspections team of the Commission, thus hampered the proceedings of the inspection, and undermined the ability of the Inspection Team to ascertain the compliance level of the brokerage house with the regulatory framework completely. Further, the Respondent was trading in his client account without his authority, misused the client bank account, failed to implement its approved KYC and CDD policies and unable to register its director in UIN database. Therefore, I am of the considered view that the Respondent has contravened regulation 16(2) (g) of the Brokers Regulations, 2016, clause 4.12 and 22 of the Rule Book by allowing persons to work as un-accredited agents and running un-registered branch offices and Section 138(5) (a) of the Act by not providing requisite information to the inspection team, 4.18 of the Rule Book by mis-use of client Bank Account and Regulation 19 of the Brokers Regulations by trading on behalf of the client without his formal written authorizations and clause 7.5 of Rule Book by not registration of UIN of the director of the Respondent, Clause 4.17 of the Clause 4.18 of the Rule Book by non-implementation of KYC and CDD policies.

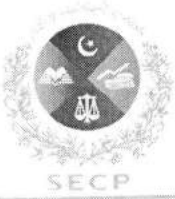
9. The violations of the regulatory framework committed by the Respondent are established and are of serious nature. Although, the Respondent has claimed that necessary rectifications have been made. However, the Respondent's subsequent rectification and maintenance of record does not pardon the Respondent from obligations of the violations. The Respondent's use of services of persons as agents for investors, without creating their obligations, liability in case of default, coupled with massive misuse of clients' bank account, un-authorized trading in client account, non-provision of record to the inspection team, non-implementation of KYC&CDD policies is highly perilous and has jeopardized the investors' interest, which cannot be ignored.

10. Previous track record of the Respondent in respect of its compliance with the regulatory framework has also reviewed. It has been observed that numerous serious violations have already been observed on the part of the Respondent in different proceedings initiated/concluded by the Commission and Pakistan Stock Exchange Limited. Following penal orders have already issued against the Respondent.

- i. PSX has imposed penalty of Rs.450,000 and issued a strict warning to the Respondent on various violations including client segregation, Account Opening Forms, non-maintenance of proper books of accounts, discrepancies in KYC policy & procedures, non-provision of record etc. vide order dated August 3, 2016.
- ii. A penalty of Rs. 500,000 has been imposed on the Respondent by the Commission for non-provision of record to the inspection team vide order dated October 3, 2016.
- iii. The Commission has issued a warning to the Respondent for non-collection of FPR, MTM losses, Margins and payments to clients despite debit balances vide order dated May 26, 2017.
- iv. PSX has also imposed penalty of Rs.1,000,000 to the Respondent along with restriction on opening of new client accounts and trading in house account by the Respondent for the violations including client segregation, non-maintenance of

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proper books of accounts, discrepancies in KYC policy & procedures, Discrepancies in Net Capital Balance etc. vide order dated November 3, 2017.

11. In view of the foregoing and considering the severity of violations, I, in exercise of the powers conferred upon me by virtue of section 150 of the Act, hereby **suspend** the license of the Respondent as a securities broker until the Respondent achieves full compliance of the regulatory violations highlighted in the SCN and impose a penalty of **Rs. 5,000,000/- (Rupees Five Million Only) on the Respondent. Moreover**, Surveillance, Supervision and Enforcement Department of Securities Market Division is directed to conduct an investigation of the Respondent in order to ascertain the mis-use of clients' funds/shares, deposit taking and benami trading in particular and also confirm compliance/claims of the Respondent in respect of the aforesaid violations. Furthermore, I hereby direct PSX, CDC, National Clearing Company of Pakistan Limited (NCCPL) to proceed further as per their regulatory framework and in the light of this order. The Respondent is further directed to deposit the penalty in the account of the Commission being maintained in the designated branches of Muslim Commercial Limited or United Bank Limited within 15 days of the date of this Order and furnish Original Deposit Challan to this office.

12. 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.



  
(Akif Saeed)  
Commissioner (SMD)

**Announced on: November 17, 2017**  
**at Islamabad.**