



# Securities and Exchange Commission of Pakistan

Securities Market Division

Public offering and Regulated Persons Department

Through Courier

Before the Commissioner (SMD)

In the matter of Notice of Opportunity of Personal Hearing Issued to AM Chaudhry Securities (Pvt.) Limited in terms of Application for Grant of Licence as Securities Broker under the Securities Brokers (Licensing and Operations) Regulations, 2016 (the "Regulations") read with Securities Act, 2015 (the "Act")

Date of Hearing

July 31, 2017

Present at the Hearing

Representing AM Chaudhry Securities (Pvt.) Limited

Mr. Arif Majeed Chaudhry  
(Chief Executive Officer)

Assisting the Commissioner (SMD)

Ms. Asima Wajid  
Additional Joint Director (SMD-  
PRPD)

## ORDER

This Order shall dispose of the application of M/s AM Chaudhry Securities (Pvt.) Limited (the "Respondent") for obtaining license as a securities broker under the Securities Brokers (Licensing and Operations) Regulations, 2016 (the "Regulations") read with Securities Act, 2015 (the "Act").

2. The Respondent is deemed licensed under section 177(3) and 178(2)(e) of the Act which are reproduced hereunder:

### **"177. Transitional provisions.**

(3) A person who, immediately prior to the commencement of Part V of this Act, is registered as a broker under section 5A of the Securities and Exchange Ordinance, 1969 (XVII of 1969), shall be deemed to be licensed under this Act as a securities broker till the time his existing certificate of registration remains valid and shall thereupon be required to obtain a licence under this Act and such person shall also be allowed to effect transactions in futures contracts until such time as it may be required to obtain a separate licence as a futures broker.

### **178. Repeal and savings.**

2.(e) any licence, certificate or document issued made or granted under any enactment hereby repealed shall be deemed to have been issued, made or granted under this Act and shall, unless cancelled in pursuance of the provision of this Act, continue in force till the date specified in the certificate or document.

3. The licence renewal date of the Respondent was October 21, 2016 as it's existing registration expires on the said date. By virtue of promulgation of Regulations, new regulatory regime was introduced w.e.f. June 30, 2016. In order to ensure the smooth transition of new broker regime, the time for submitting the renewal of licence applications for those securities brokers whose renewal was due from June 30, 2016 was extended up till October 31, 2016. Accordingly, the Respondent's Exchange





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Securities Market Division

Public offering and Regulated Persons Department

Limited ("PSX") submitted the application vide letter dated October 21, 2016 for renewal of licence as securities broker to the Respondent for "Trading and Self Clearing" category.

4. The application of the Respondent for renewal of license as securities broker was examined and following deficiency was observed:

- i. The CIB report as of February 23, 2017 of the Chief Executive Officer ("CEO") of the Respondent (i.e. Mr. Arif Majeed Chaudhry) is showing an amount of Rs.978,911/- past due 90 days on account of OD (Running Finance).

5. In view of the above facts the Respondent, prima facie, was not compliant with the provisions of Section 150(1)(b) read with Section 151(2)(a) of the Act and Regulation 4(e), 8(1) and 9(4) of the Regulations which are reproduced below:

**"150. Disciplinary action in respect of licensed person.—**

(1) .....

(a) .....

(b) **the Commission is of the opinion that a licensed person is not a fit and proper person to remain a licensed person,**

*the Commission may exercise such of the following powers as it considers appropriate in the circumstances of the case—*

- (i) *suspend his licence, whether in relation to all or any of its activities for which he is licenced, for such period or until the occurrence of such event as the Commission may specify; or*
- (ii) *cancel his licence, whether in relation to all or any of the its activities for which he is licensed; or*
- (iii) *publicly reprimand the licensed person.*

**151. Determination of "fit and proper".—**

(1) .....

(2) *In considering whether a licensed person, incase of company, member of the board of directors or senior management officers is fit and proper person for the purposes of this Act, the Commission shall, in addition to any other matter that the Commission may consider relevant, have regard to—*

(a) *the financial status or solvency;.....*

4. **Eligibility criteria for licensing of a securities broker.-** Subject to compliance with the provisions of the Act, a company may apply to the Commission for licence as a securities broker under any one of the categories specified in sub-regulation (2) of regulation 5, if-

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(e) *the applicant, its sponsors, directors and senior management officers are fit and proper persons as per the criteria specified in Annexure B;.....*

8. **Grant of licence.-** (1) *The Commission, while considering the application for granting a licence, shall inter-alia take into account the following matters,-*

- (a) *that the applicant meets the requirements of the Act and these regulations;*
- (b) *that the applicant has the ability to efficiently handle its functions as a securities broker and its obligations under the Act and these regulations;*
- (c) *that the applicant has the necessary infrastructure including but not limited to financial resources, policies, procedures, systems and controls to effectively and efficiently discharge its responsibilities as a securities broker;....."*





# Securities and Exchange Commission of Pakistan

Securities Market Division

Public offering and Regulated Persons Department

SECP

**9. Renewal of licence.-** .....

(4) *The Commission upon being satisfied that the applicant continues to meet the requirements for licensing, is in compliance with the provisions of the Act, rules, regulations and any directives/guidelines/codes issued thereunder and it is in the public interest and interest of the capital market, shall renew the licence for one year and issue a certificate of renewal of licence to the applicant in the Form D"*

6. Consequently, a notice dated March 31, 2017 was issued to the Respondent whereby it was called upon to explain as to why the Respondent's application for renewal /grant of license as securities broker may not be refused. The Respondent submitted a written response to the notice on April 13, 2017, 2017. The written response of the Respondent may be summarized as under:

*"..... it is submitted that we are under the discussion with Bank Alfalah Limited for the said matter (i.e. overdue amount in CIB report). It is basically due to 2008 debacle of Stock Exchange. we are now trying to resolve the issue as early as possible.*

*It is requested to kindly grant licence as securities broker of PSX under the Securities Act and oblige."*

7. The Respondent was further provided an opportunity of personal hearing vide notice dated July 19, 2017 to explain the stance in person on July 31, 2017. On the given date, Mr. Arif Majeed Chaudhry, CEO, appeared before me and submitted that he has already taken up the matter with the bank and he required further 2 to 3 months' time for settlement of overdue amount shown in CIB. Thereafter, the Respondent vide letter dated August 10, 2017 requested to grant him 3 months' time to resolve the issue of overdue amount shown in CIB report.

8. Since then the Respondent has not provided any update on the issue. The matter of the overdue amount shown in the CIB report of the CEO of the Respondent is still not resolved as the latest CIB report of Mr. Arif Majeed (i.e. as of November 23, 2017) is showing the same overdue amount status.

9. Based on the foregoing, it is evident that the Respondent failed to resolve the issue of overdue amount shown in the CIB report of its CEO despite of giving them ample time. Thus, I am of the considered opinion that the Respondent's application for grant of license as securities broker has been found noncompliant with the provisions of the Regulations read with the Act. Hence, Respondent's application for grant of licence as securities broker cannot be processed, therefore, refused in terms of regulation 10 of the Regulations.

10. Furthermore, in exercise of the powers conferred under section 12, 31 and 55 of the Act, I hereby direct PSX, Central Depository Company of Pakistan Limited (CDCPL), National Clearing Company of Pakistan Limited (NCCPL) that:

**A. PSX shall:**

a. Immediately suspended the Trading terminals of the Respondent and proceed further under the applicable regulatory framework.

**B. CDC shall:**

a. Immediately suspended the admission of the Respondent as CDS participant and proceed further under the applicable regulatory framework.





# Securities and Exchange Commission of Pakistan

Securities Market Division

Public offering and Regulated Persons Department

SECP

**C. NCCPL shall:**

- a. Immediately suspended the admission of the Respondent as Broker Clearing Member and proceed further under the applicable regulatory framework.

11. Moreover, the Respondent is hereby directed to:

- a. Immediately initiate the process for changing the name and Memorandum of Association of the company or winding up of the company as the case may be.

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



Announced on December 11, 2017  
Islamabad.