



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 Jahanzaib Securities (Pvt.) Limited in terms of Application for Grant/Renewal 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	November 9, 2017
Present at the Hearing	
Representing Jahanzaib Securities (Pvt.) Limited	Mr. Adeel Nawaz (Authorized Representative)
Assisting the Commissioner (SMD)	
	i. Mr. Faisal Nawaz Joint Director (SMD-PRPD)
	ii. Ms. Asima Wajid Additional Joint Director (SMD-PRPD)

ORDER

This Order shall dispose of the application of M/s Jahanzaib 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2.(e) any licence, certificate or document issued made or granted under any enactment hereby repealed shall be deemed to have been issued, made or granted under this Act and shall, unless cancelled in pursuance of the provision of this Act, continue in force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 January 24, 2017 and its existing registration expires on the said date. Accordingly, the Pakistan Stock Exchange Limited





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("PSX") submitted the application vide letter dated December 23, 2016 for renewal of licence as securities broker of the Respondent for "Trading Only" category.

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

- i. The PSX in terms of proviso of regulation 9(3) of the Regulations has submitted an unsatisfactory onsite visit report dated April 14, 2017 due to following reasons:
 - Respondent failed to shift its KATS terminal to its location in Sargodha despite of repeated reminders by PSX;
 - The Respondent has no trading facility/terminals and network connectivity with PSX and is continuously using Global Terminal Facility for NCHS since last few months for NCB submission.
- ii. The Respondent has voluntarily suspended its trading terminals since November 2016;
- iii. The Respondent vide letter dated July 12, 2017 applied the PSX for surrender of its Trading Right Entitlement Certificate ("TREC").

5. In view of the above facts the Respondent, prima facie, was not compliant with the provisions of Section 152(1)(b)(iii)(v)(vi) of the Act read with and Regulation 8(1) and 9(3)(4) of the Regulations which are reproduced below:

" 152. Other circumstances for disciplinary action in respect of licensed persons.

(1) Subject to section 151, the Commission may cancel the licence, whether in relation to all or any of the activities for which he is licensed, or suspend his licence, whether in relation to all or any of the activities for which he is licensed, for such period or until the occurrence of such event as the Commission may specify, if.....

- b. where the regulated person is a company,
 - (iii) the company ceases to carry on the business for which it is licenced;
 - (v) the company contravenes or fails to comply with any condition applicable in respect of the licence;
 - (vi) the company is in breach of this Act, any rule or any regulation made under this Act;

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 securities broker;
....."





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9. Renewal of licence.-

(3) The securities exchange shall scrutinize the application for renewal of licence and the documents submitted by the securities broker prior to submission of the same for consideration of the Commission, along-with a letter of recommendation stating that it has reviewed the contents of the application and the supporting documents and has found the same to be in conformity with the Act and these regulations:

Provided that while submitting the letter of recommendation to the Commission, the securities exchange shall also take into account the securities broker's outstanding investor complaints and its track record with respect to its compliance with the applicable regulatory requirements:

Provided further that along-with the recommendation letter, the securities exchange shall submit a confirmation to the Commission that it has visited the premises of the securities broker and is satisfied with the infrastructure and human resources deployed by the securities broker to ensure ongoing compliance with these regulations.

(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. The Respondent was provided an opportunity of personal hearing vide notice dated July 19, 2017 to explain the stance in person on July 31, 2017. Written response to the said notice received in this office on July 31, 2017. The written response submitted by the Respondent is summarized as under:

".....The PSX team has visited our office and they never raised any objection neither they issue any written letter for non-compliance if any, furthermore we request PSX so many time to install the KATS and KITS because we were facing the problem while installing but we did not received any positive response as yet.

Similarly we have fulfilled all the regulatory compliance for renewal of licence, hence you are requested to please review our application and guide us if there is still any non-compliance.

As a law abiding citizen we always respect the rules and regulation that are defined by any regulatory body and we will always comply with these for smooth and effective working.

Regarding hearing in SECP you are requested to postpone this meeting for one week....."

7. Considering the stance taken by the Respondent in its written response, the request for adjournment of the hearing was acceded to. Further in order to grant some time to the





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Respondent to settle its matter of installation of trading terminal with PSX, the rescheduling of hearing was delayed for approximately 3 months and accordingly the matter was re-fixed for hearing on November 9, 2017.

8. On the date of hearing Mr. Adeel Nawaz, Accounts Assistant of the Respondent ("Representative") appeared before me on behalf of the Respondent. The Representative of the Respondent submitted that since he is new joiner in the company therefore, he is not aware of the facts of the matter and he is attending the hearing just to ensure the representation of the Respondent on the instruction of the Chief Executive Officer.

9. Thereafter, the matter of installation of trading terminal at the Sagodha office of the Respondent was again enquired from the PSX and the PSX vide email dated November 9, 2017 informed that the Respondent failed to complete the regulatory requirements for installation / shifting of trading terminals despite repeated reminders. In this regard, the PSX has provided the copies of PSX letters addressed to the Respondent on the said issue.

10. I have analyzed the facts of the case, relevant provisions of the Act and the Regulations and the arguments put forth by the Authorized Representative of the Respondent during the course of hearing and via written response dated July 31, 2017. Considering these following is hereby concluded:

- i. Despite of the repeated reminders by PSX the Respondent failed to complete the requirements for installation/shifting of trading terminal at its office located in Sargodha thus unable to resolve the issue of unsatisfactory onsite visit report by PSX. Therefore, the Respondent is not meeting the requirements of the Act and the Regulations for efficiently handling its function as a securities broker.
- ii. The trading terminals of the Respondent has been suspended upon its request since November 25, 2016. Thus, the Respondent ceased to carry on the business for which it was licensed since last one year.
- iii. The non-serious and casual statement made by the Authorized Representative of the Respondent during the course of hearing as mentioned at para 8 leads the Commission to believe that allowing the Respondent to act as securities broker is not in the interest of public and the capital market.

11. Based on the foregoing, it is evident that the Respondent failed to give any cogent reason in respect of unsatisfactory onsite visit report and suspension of the trading terminal. Thus, I am of the considered opinion that the Respondent's application for grant/renewal 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/renewal of licence as securities broker cannot be processed therefore, refused in terms of regulation 10 of the Regulations.

12. 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:





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- A. PSX shall:**
- Immediately suspended the Trading terminals of the Respondent and proceed further under the applicable regulatory framework.
- B. CDC shall:**
- Immediately suspended the admission of the Respondent as CDS participant and proceed further under the applicable regulatory framework.
- C. NCCPL shall:**
- Immediately suspended the admission of the Respondent as Broker Clearing Member and proceed further under the applicable regulatory framework.
13. Moreover, the Respondent is hereby directed to:
- 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.
14. 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.