



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 Shaukat Shafi 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	December 5, 2017
Present at the Hearing	
Representing Shaukat Shafi Securities (Pvt.) Limited	Mr. Salman Gul, Partner IECnet S.K.S.S.S. Chartered Accountant (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 Shaukat Shafi 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2.(e) any licence, certificate or document issued made or granted under any enactment hereby repealed shall be deemed to have been issued, made or granted under this Act and shall, unless cancelled in pursuance of the provision of this Act, continue in force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 June 1, 2017 as it's existing registration expires on the said date. Accordingly, the Pakistan Stock Exchange Limited ("PSX") submitted the application vide letter dated June 2, 2017 for renewal of licence as securities broker of the Respondent for "**Trading Only**" category.



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

- i. The Respondent failed to undertake any business of securities broker since the promulgation of the Act i.e. May 13, 2015;
- ii. The PSX in terms of proviso of regulation 9(3) of the Regulations has submitted an unsatisfactory onsite visit report dated June 1, 2017 due to following reasons:
 - Respondent is inactive trading wise;
 - No trading system is installed at the office;
 - Back Office system is not updated;
 - No clientage at present;
 - Only one employee in the office.

5. In view of the above facts the Respondent, prima facie, was not compliant with the provisions of Section 151(2)(b), 152(1)(b)(iii) & 152(6)(a) of the Act read with Regulation 8(1)(a),(b) & (c) and 9(3)&(4) of the Regulations which are reproduced below:

“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)

(b) *the ability to carry on their activity competently, honestly and fairly; and*

.....

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

(1), *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 licensed;*

(6) *For the purposes of sub-clause (vi) of clause (a) and sub-clause (iii) of clause (b) of sub-section (1), a licensed person shall be deemed to have ceased to carry on the business for which he is licensed if :-*

(a) *he has for more than thirty days ceased to carry on the business for which he is licensed unless he has obtained prior approval of the Commission to do so;*

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





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- (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;.....*

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 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 November 9, 2017 to explain the stance in person on November 16, 2017. However, neither the written response to the said notice was received nor any one appeared for hearing on behalf of the Respondent on the said date. Thereafter, the Respondent vide notice dated November 17, 2017 was again called for hearing on November 21, 2017. In response, this office received an email from IECnet SKSSS Chartered Accountants, confirming their presence on behalf of the Respondent for the hearing scheduled on November 21, 2017. Again, no one appear on behalf of Respondent for the hearing. However, on November 22, 2017 the authorized representative of the Respondent visited the Lahore Office of the Commission and informed that they misread the date of hearing as November 22, 2017 instead of November 21, 2017. Thereafter, the matter was again rescheduled for hearing on December 5, 2017.

7. A hearing in the matter was held on December 5, 2017 before the undersigned through video link facility from SECP Lahore Office, wherein Mr. Salman, Partner of IECnet SKSSS Chartered Accountants (“**Representative**”) appeared before me and submitted that the Respondent obtained the registration as securities broker in June 2017. However, due to certain





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circumstances, they won't be able to commence the securities business and now they don't have any intention to continue as a securities broker.

8. 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. Considering these following is hereby concluded:

- i. The Respondent is non-compliant with the above provisions of the Act read with the Regulations.
- ii. The Respondent has no intention to commence the securities broker business.

9. 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.

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.


Akif Saeed
Commissioner (SMD)



Announced on December 11, 2017
Islamabad.