



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

File No. 1(33) SMD/PRPD/PSX/ISE/2017

December 13, 2017

**Chief Executive officer,**  
**HK Securities (Pvt.) Limited**  
Office No 17, Antique Arcade,  
1-8 Markaz,  
**Islamabad.**

**Subject: ORDER IN RESPECT OF SHOW CAUSE NOTICE BEARING NO. 1(33)**  
**SMD/PRPD/PSX/ISE/2017 DATED OCTOBER 3, 2017**

Dear Sir,

Please find enclosed herewith a copy of order in the title matter for your record and necessary action.

Yours truly,

**Sabeel Ahmed**  
Assistant Director (PRPD)

**Copy to:**

**1. Chief Executive Officer,**  
Central Depository Company of Pakistan Limited,  
CDC House, 99-B, Block-B, S.M.C.H.S.,  
Main Shahra-e-Faisal,  
**Karachi.**

**2. Chief Compliance and Risk Officer,**  
National Clearing Company of Pakistan Limited,  
8th Floor, Stock Exchange Building,  
Stock Exchange Road,  
**Karachi.**

**3. Acting Chief Regulatory Officer**  
Pakistan Stock Exchange Limited,  
Stock Exchange Building,  
Stock Exchange Road  
**Karachi.**



Securities and Exchange Commission of Pakistan  
Securities Market Division

Before the Commissioner (Securities Market Division)

In the matter of Show Cause Notice Issued to HK Securities (Pvt.) Limited

<i>Date of Hearings</i>	<i>October 11, 2017</i> <i>November 02, 2017</i> <i>November 09, 2017</i>
<i>Present at the Hearing</i>	
<i>Representing HK Securities (Pvt.) Limited</i>	<i>(i) Mr. Zahir Shah-Authorized Representative</i>
<i>Representing the Department</i>	<i>(i) Mr. Hammad Javed (Joint Director-SSED)</i>
<i>Assisting the Commissioner (SMD)</i>	<i>(i) Mr. Muhammad Farooq (Additional Director-PRPD)</i> <i>(ii) Mr. Javed Akhter Malik (Joint Director-PRPD)</i> <i>(iii) Mr. Sabeel Ahmed (Assistant Director-PRPD)</i>

**ORDER**

This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(33) SMD/PRPD/PSX/ISE/2017 dated October 3, 2017 (“SCN”) served to M/s. HK Securities (Private) Limited (“**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 Right Entitlement Certificate (“**TREC**”) holder of the Pakistan Stock Exchange (“**PSX**”) and registered as a broker with the Commission.

2. Brief facts of the case are that the Commission vide order dated March 10, 2017 initiated an onsite inspection of books and records required to be maintained by the Respondent. The inspection team during the inspection identified multiple violations including the misuse of trading terminal, non-segregation of client’s assets, having unregistered offices/branches and running the operations of the Respondent by unapproved management.

3. Keeping in view the exigent circumstances, the Commission vide order dated March 17, 2017, in exercise of powers conferred under Section 139 of the Act conducted investigation into the matter. The investigation report submitted by the investigation team *inter alia* revealed that the Respondent was prima facie non-compliant with the provisions of:

- a) Section 74 of the Act and regulation 16(1) of the Securities Brokers (licensing and Operations) Regulations, 2016 (“**Brokers Regulations**”), which prescribe standard of conduct and duties/obligations to be performed by a securities broker. The Respondent failed to perform such standard of conduct and obligations as evident from the following statements made before the investigation team on oath by Mr. Wajid Razzaq-Compliance officer of the



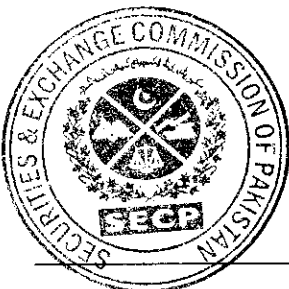


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Respondent, Mr. Mumtaz Hussain Shah, Chief Executive officer of the Respondent and Mr. Bilal Aurungzeb Noor:-

(i) **Extract of Mr. Wajid Razzaq-Compliance officer of the Respondent:-** *I, Wajid Razzaq S/o Abdul Razzaq, Compliance Officer HK Securities Private Limited, CNIC: 13101-0972832-7, having its Office Room No 17, 1st Floor Anique Arcade, I-8 Markaz, Islamabad, R/o Lambi Dehri Supply District Abbottabad.*

- *An intimation/notice by SECP was duly served to me on March 20, 2017 for examination and recording of statement pertaining to HK Securities Private Limited (THE RESPONDENT). Consequently, I appeared before the investigation and recorded my statement.*
- *My affiliation with THE RESPONDENT started in 2005 as Equity Trader and remained associated with THE RESPONDENT until its closure of business. Before the change of management, this brokerage house was under the stewardship of A Hameed Shahid, who later on sold the said brokerage house to Bilal Noor. It is noteworthy to mention that Bilal Noor is not a shareholder or Director of THE RESPONDENT but controls the company. His wife Sarah Anjum and Mumtaz Hussain Shah hold the shares of THE RESPONDENT. It is correct that Mumtaz Hussain Shah is working as Chief Executive Officer of THE RESPONDENT.*
- *During my initial time with the company, I used to look after basic office jobs and was involved in carrying out assignments given to me by Bilal Noor. I also used to look after the mail dispatch duties. I am associated with the THE RESPONDENT as compliance officer only with a view to signing reports for regulatory compliance. In addition, I also look after accounting and financial duties in both the brokerage houses namely Invest Forum and HK Securities Private Limited.*
- *It was in my knowledge that my Chief Executive never made any trading order from proprietary account whereas Bilal Aurangzeb Noor used to place order from house account on daily basis. Although, Bilal Noor is not the Chief Executive of the Brokerage House but he remained effective as the de facto CEO of our house.*
- *It is also important to note that Bilal Noor in the capacity of de facto CEO places all his orders in the proprietary account of THE RESPONDENT. As per my knowledge, Bilal Noor is the authorized signatory for all the financial transactions including but not limited to signing of cheques for payments and deposits, banking matters and reimbursements. Further, he also looks after all the operational matters along with all the hiring of human resource. In addition, he*





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illegal discharges all the responsibilities of CEO in lieu of Mumtaz Hussain Shah.

- It is correct that we never maintained necessary records and books of accounts to distinguish clients' funds and securities from Broker's funds and securities. It is a common practice in our brokerage house to utilize clients' funds with a view to misappropriating finances for our own use. The funds of THE RESPONDENT were used for clearing/settlement of HK Securities Private Limited under the grab of soft loan facility to Directors. In this regard, clients' funds were illegally used.
- The behavior of management of THE RESPONDENT and Bilal Noor can be gauged from the simple fact that in spite of repeated warnings from regulatory authorities, they never realized their wrongdoings and kept on misappropriating the shares/funds of clients.
- The real intent behind buying the Brokerage House was the view taken by Bilal Noor that the value of Trading Rights Entitlement Certificate (TREC) would appreciate and he would earn a decent profit from the said deal.
- THE RESPONDENT and Bilal Noor never obtained any client's permission before engaging in a stock transaction. It was a usual practice to sell clients' securities without getting their prior approvals. This failure to obtain permission before buying or selling stock, or acts against a client's express instructions, shows that THE RESPONDENT apart from other offences, is also guilty of unauthorized trading. Despite the fact that Clients' Shares were placed in CDC sub-account, Bilal Noor never hesitated in disposing off the same for his personal enrichment. The scheme of fraud was orchestrated with such a niche that obligation of keeping the telephonic recordings was not complied with and in this regard Bilal Noor and CEO deliberately ordered me not to attach the hardware with the telephone exchange.
- This whole scheme of using clients' assets was collectively done by CEO and Bilal Noor whereby they used to play hand in glove in disposing off the assets of the clients and used to invent schemes to defraud innocent investors.
- Our Chief Executive Officer and I used to deal with statutory auditors and system auditors. I, on the instructions of Bilal Noor used to prepare the segregation reports of clients' assets for its onward submission to Pakistan Stock Exchange. It is also important to note that both the Brokerage Houses namely Invest Forum and HK Securities Private Limited were being operated jointly through Bilal Noor and its cohorts. We have one office for both of these

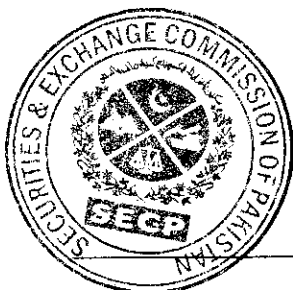




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houses and all the employees used to report directly to Bilal Noor and the CEO of the brokerage house was well inform about this arrangement.

- *After integration, when the JIT was formed to look into the affairs of the THE RESPONDENT which pointed out observations regarding account deficit and segregation. During the inspection of THE RESPONDENT, SECP identified multiple violations regarding the misuse of trading terminal, unregistered offices/branches and running the operations of brokerage house with un-approved management. Furthermore, the said brokerage house is also involved in illegal inducement for sell and purchase of securities by concealing material facts that are false, misleading and deceptive thereby accentuating the failure of THE RESPONDENT in discharging its obligations towards its clients by engaging in practices that are prejudicial to the interests of general investors.*
- *It is correct that we do not have any policy with regards to trading of employees and its subsequent disclosure. It is in my knowledge that before trading employee must obtain prior written authorization for such activity from the Broker or authorized officer of the Brokerage house on his trading account opening form.*
- *It is noteworthy to submit that I do have a trading account with my brokerage house but I never traded in my account. I never used my account for my personal trades. Although, all my trading activities reflected in my account were carried out by Bilal Noor. Bilal Noor used to instruct me to buy scrip of our holding company namely Service Fabrics Limited, a listed company in which I was also appointed as Director by Bilal Noor. It is important to note that my consent was not obtained by Bilal Noor and he submitted a form with SECP without my authorization. It is correct that I am operating as Shadow Director on behalf of Bilal Noor, who arranged all the proxies for my election.*
- *It is to bring into the kind attention of investigation officers that Bilal Noor transferred and converted the physical shares of Service Fabrics into my trading account. Subsequently, I was asked to dispose off the said shares in the stock market and laundered the said amount into the bank account of Bilal Noor via cross cheque.*
- *I was never intimidated by the company secretary of Service Fabrics regarding the board meetings or any other invitations regarding the matters concerning the said company.*
- *It is correct that I never raised any objections regarding the unapproved terminal switchings with the management and never objected regarding the state of affairs of the brokerage house.*





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(ii) **Extracts of Mr. Mumtaz Hussain Shah-CEO of the Respondent:-** I, Mumtaz Hussain Shah S/o Muzloom Hussain Shah, Chief Executive Officer HK Securities Private Limited, CNIC: 61101-7333101-5, having its Office Room No 17, 1st Floor Anique Arcade, I-8 Markaz, Islamabad, R/o ZB 349 Fauji Colony Pir Wadhi, Rawalpindi.

- An intimation/notice by SECP was duly served to me on March 20, 2017 for examination and recording of statement pertaining to HK Securities Private Limited (THE RESPONDENT). Consequently, I appeared before the investigation and recorded my statement.
- My affiliation with THE RESPONDENT started in 1998 as Equity Trader and remained associated with THE RESPONDENT until its closure of business. Before the change of management, this brokerage house was under the stewardship of A Hameed Shahid, who later on sold the said brokerage house to Bilal Noor. It is noteworthy to mention that Bilal Noor is not a shareholder or Director of THE RESPONDENT but controls the company. His wife Sarah Anjum and Mumtaz Hussain Shah hold the shares of THE RESPONDENT. It is correct that Mumtaz Hussain Shah is working as Chief Executive Officer of THE RESPONDENT.
- During my initial time with the company, I used to look after basic office jobs and was involved in carrying out assignments given to me by Bilal Noor. I also used to look after the mail dispatch duties. I am associated with the THE RESPONDENT as Chief Executive Officer only with a view to signing reports for regulatory compliance. In addition, I also look after accounting and financial duties in both the brokerage houses namely Invest Forum and HK Securities Private Limited.
- It is correct that I never made any trading order from proprietary account as CEO whereas Bilal Aurangzeb Noor used to place order from house account on daily basis. Although, Bilal Noor is not the Chief Executive of the Brokerage House but he remained effective as the de facto CEO of our house.
- It is also important to note that Bilal Noor in the capacity of de facto CEO places all his orders in the proprietary account of THE RESPONDENT. As per my knowledge, Bilal Noor is the authorized signatory for all the financial transactions including but not limited to signing of cheques for payments and deposits, banking matters and reimbursements. Further, he also looks after all the operational matters along with all the hiring of human resource. In addition, he illegal discharges all the responsibilities of CEO.





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- It is correct that we never maintained necessary records and books of accounts to distinguish clients' funds and securities from Broker's funds and securities. It is a common practice in our brokerage house to utilize clients' funds with a view to misappropriating finances for our own use. The funds of THE RESPONDENT were used for clearing/settlement of HK Securities Private Limited under the grab of soft loan facility to Directors. In this regard, clients' funds were illegally used.
- The behavior of management of THE RESPONDENT and Bilal Noor can be gauged from the simple fact that in spite of repeated warnings from regulatory authorities, they never realized their wrongdoings and kept on misappropriating the shares/funds of clients.
- The real intent behind buying the Brokerage House was the view taken by Bilal Noor that the value of Trading Rights Entitlement Certificate (TREC) would appreciate and he would earn a decent profit from the said deal.
- It is correct that THE RESPONDENT and Bilal Noor never obtained any client's permission before engaging in a stock transaction. It was a usual practice to sell clients' securities without getting their prior approvals. This failure to obtain permission before buying or selling stock, or acts against a client's express instructions, shows that THE RESPONDENT apart from other offences, is also guilty of unauthorized trading. Despite the fact that Clients' Shares were placed in CDC sub-account, Bilal Noor never hesitated in disposing off the same for his personal enrichment. The scheme of fraud was orchestrated with such a niche that obligation of keeping the telephonic recordings was not complied with and in this regard Bilal Noor and CEO deliberately ordered me not to attach the hardware with the telephone exchange.
- This whole scheme of using clients' assets was collectively done by CEO and Bilal Noor whereby they used to play hand in glove in disposing off the assets of the clients and used to invent schemes to defraud innocent investors.
- I and Wajid Razzaq used to deal with statutory auditors and system auditors. I, on the instructions of Bilal Noor used to prepare the segregation reports of clients' assets for its onward submission to Pakistan Stock Exchange. It is also important to note that both the Brokerage Houses namely Invest Forum and HK Securities Private Limited were being operated jointly through Bilal Noor and its cohorts. We have one office for both of these houses and all the employees used to report directly to Bilal Noor and the CEO of the brokerage house was well inform about this arrangement.

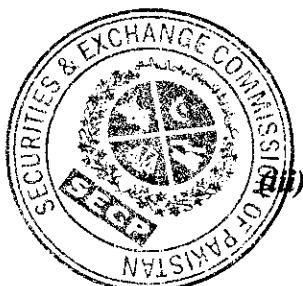




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- *After integration, when the JIT was formed to look into the affairs of the THE RESPONDENT which pointed out observations regarding account deficit and segregation. During the inspection of THE RESPONDENT, SECP identified multiple violations regarding the misuse of trading terminal, unregistered offices/branches and running the operations of brokerage house with un-approved management. Furthermore, the said brokerage house is also involved in illegal inducement for sell and purchase of securities by concealing material facts that are false, misleading and deceptive thereby accentuating the failure of THE RESPONDENT in discharging its obligations towards its clients by engaging in practices that are prejudicial to the interests of general investors.*
- *It is correct that we do not have any policy with regards to trading of employees and its subsequent disclosure. It is in my knowledge that before trading employee must obtain prior written authorization for such activity from the Broker or authorized officer of the Brokerage house on his trading account opening form.*
- *It is noteworthy to submit that I do have a trading account with my brokerage house but I never traded in my account. I never used my account for my personal trades. Although, all my trading activities reflected in my account were carried out by Bilal Noor. Bilal Noor used to instruct me to buy scrip of our holding company namely Service Fabrics Limited, a listed company in which I was also appointed as Director by Bilal Noor. It is important to note that my consent was not obtained by Bilal Noor and he submitted a form with SECP without my authorization. It is correct that I am operating as Shadow Director on behalf of Bilal Noor, who arranged all the proxies for my election.*
- *It is to bring into the kind attention of investigation officers that Bilal Noor transferred and converted the physical shares of Service Fabrics into my trading account. Subsequently, I was asked to dispose off the said shares in the stock market and laundered the said amount into the bank account of Bilal Noor via cross cheque.*
- *I was never intimidated by the company secretary of Service Fabrics regarding the board meetings or any other invitations regarding the matters concerning the said company.*
- *It is correct that I never raised any objections regarding the unapproved terminal switchings with the management and never objected regarding the state of affairs of the brokerage house.*

**Statement of Mr. Bilal Aurangzeb Noor:-** I, Bilal Aurangzeb Noor S/o Aurangzeb Noor, Contact No 03335114110, CNIC: 61101-4328314-9,





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having its Office Room No 17, 1st Floor Anique Arcade, I-8 Markaz, Islamabad, R/o House No 80-B Street 59, F-11/4 Islamabad.

- An intimation/notice by SECP was duly served to me on May 4, 2017 for examination and recording of statement pertaining to THE RESPONDENT. Consequently, I appeared before the investigation and recorded my statement.
- My affiliation with the Brokerage industry started back in 1998 when I started working as broker dealer Horn, Blowers and Weeks, a New York based Brokerage firm. I am associated with the investment industry in Pakistan since 2004. My affiliation with IFPL started in the end of December 2015 when THE RESPONDENT was acquired by Service Fabrics Limited.
- It is further admitted that I am a debt holder of Service Fabrics and advisor to the board of directors of Service Fabrics. However, I have the management control of Service Fabrics Limited.
- It is submitted that my consultant for the accounts and audit was Zafar Iqbal who subsequently referred Sardar Asif of Jameel & Co. to me for THE RESPONDENT. Sardar Asif represented Mudassar Ehtsaham, a chartered accountant firm and met me and arranged for the audit of accounts of THE RESPONDENT for the year 2016 from Mudassar Ehtsaham, a chartered accountant firm.
- It is correct that that I used proprietary account of THE RESPONDENT with a view to trade in securities. Further, it is also admitted that I place all orders in the proprietary account of THE RESPONDENT and also an authorized signatory for all the financial transactions including but not limited to signing of cheques for payments and deposits, banking matters and reimbursements. In addition, I also look after all the operational matters along with all the hiring of human resource and discharges all the responsibilities of CEO.
- It is correct that the funds of IFPL were used for clearing/settlement of HK Securities Private Limited under the grab of soft loan facility to Directors. Likewise, funds of HK Securities Private Limited were also used for clearing/settlement of IFPL under the grab of soft loan from Directors. THE RESPONDENT never maintained necessary records and books of accounts to distinguish clients' funds and securities from Broker's funds and securities.
- It is admitted that no mandatory arrangements were made to ensure and keep the telephonic recordings of orders as required by the law. Further, there were no mechanism at THE RESPONDENT to ensure





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that regulatory requirements of PSX Rule Book and Securities Act, 2015 are complied with.

- *It is admitted that Wajid Razzaq, an employee of HK Securities Private Limited, was also on the payroll on IFPL. Wajid used to take care of compliance matters and routines matters with statutory auditors, JIT, system auditors, PSX, SECP etc. It is correct that my clear instruction to Wajid and all staff members of THE RESPONDENT was that no regulatory anomaly should exist. I admit that I being de facto CEO of THE RESPONDENT did not make any efforts to make sure that regulatory requirements are met in due course of time. I must state here that Mumtaz Husain was appointed as CEO of THE RESPONDENT and remained completely active in managing the affairs of the brokerage house as I was also controlling the business of THE RESPONDENT as de facto CEO of THE RESPONDENT.*
- *It is also submitted that I do have a trading account with my HK Securities apart from proprietary account wherein I conduct all my trades. All my trading activities reflected in the account of Wajid were carried out by me for the purposes of making profit for the company as I have given instructions to buy scrip of our holding company namely Service Fabrics Limited, a listed company in which Wajid was also appointed as Director.*
- *I do have knowledge that after integration, when the JIT was formed to look into the affairs of the THE RESPONDENT which pointed out observations regarding account deficit and segregation. Also it is not in my information, during the inspection of THE RESPONDENT, SECP identified multiple violations regarding the misuse of trading terminal, unregistered offices/branches and running the operations of brokerage house with un-approved management.*
- *It is submitted that the trading terminal was installed after completing all the formalities and the management of Pakistan Stock Exchange was in complete picture which never objected regarding the installment of terminals at new office location.*
- *It is not in my knowledge that we do not have any policy with regards to trading of employees and its subsequent disclosure. It is in my knowledge that before trading employee must obtain prior written authorization for such activity from the Broker or authorized officer of the Brokerage house on his trading account opening form.*

*Moreover, it is correct that the office of THE RESPONDENT is under one roof with IFPL and there is no division between the two-brokerage houses. Moreover, I have also applied for the No Objection Certificate to sell off the THE RESPONDENT*





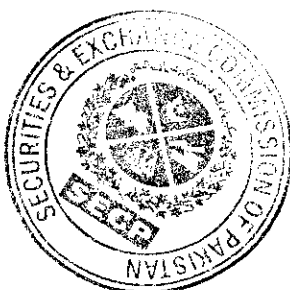
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- (b) Regulation 16 of the Brokers Regulations and clause 22 of the Rule Book which require a securities broker not to operate and have any branch without approval of PSX, but as appears from the following instances, the Respondent was operating its branch office, without approval of PSX.
- i) During the inspection, it was revealed that the Respondent had signed a remote KATS agreement (“**agreement**”) with PSX. Clause 1, 2, 3 of the agreement states that remote trading facility would only be available for exclusive use at the office premises prescribed in the agreement.
  - ii) The Respondent had prescribed remote trading facility location in the agreement with PSX as Office no. 205, 2nd Floor, Kashif Belair Plaza, G-8 Markaz, Islamabad (“**Address 1**”). However, the Respondent has shifted the same from Address 1 to 1st Floor, Anique Arcade, 1-8 Markaz, Islamabad (“**Address 2**”) without prior approval from the PSX.
  - iii) Besides, another securities broker namely Invest Forum (Pvt.) Limited (“**IF**”) is also operating from the same location i.e. address1.
- (c) Clause 4.18 of the PSX Rule Book (“**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, detail as under:-

**LOAN DIRECTOR BILAL AURANGZEB NOOR (LEDGER ACCOUNT NO: 30020004):** The said ledger as on June 30, 2016 of the Respondent showed a debit balance of Rs. 10, 735,596.22.

After reviewing the above mentioned ledger, it transpired that Respondent has provided loan to Mr. Bilal Aurangzeb Noor from the Respondent’s client account. Sample instances noted in this regard are mentioned below:

Date	Narration as per ledger	Amount (PKR)
20/05/2016	Loan To director	1,000,000
26/05/2016	Cheq. Issued Loan To Director	4,000,000
26/05/2016	Cheq. Issued Loan To Director	1,000,000
15/06/2016	Loan To director (Invest Forum)	1,000,000
17/06/2016	Chq Issued to Loan To Director	1,600,000
<b>Sub total</b>		<b>8,600,000</b>





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(d) 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. The Respondent was non-complaint with the said provisions, detail as under:-

(i) Bank statement of Client Bank Account (Bank Alfalah, Account No 0407-1003047109, Stock Exchange Building Blue Area Islamabad) of the Respondent reveals that the following amounts were withdrew as cash from the said bank account:-

Date	Withdrawal	Deposit
02-Sep-16		1,950,000
06-Sep-16	2,500,000	
21-Oct-16	1,000,000	
02-Nov-16	650,000	
08-Dec-16	1,275,000	

5. In light of the findings of the Review, the Commission served the SCN to the Respondent under section 150 of the Act. The Respondent was thereby:

- (i) Called upon to show cause in writing as to why action should not be taken under section 150 of the Act for the aforementioned non-compliances.
- (ii) Advised to appear before the undersigned on October 11, 2017 at 4:00 p.m. to explain the stance in person.

6. On October 11, 2017, Mr. Ahmed Bashir (Counsel) appeared before me at commission's head office located in Islamabad. The counsel during the hearing requested to grant extension to submit the written to the notice and requested to reschedule the hearing. The request of the Counsel was acceded to and hearing in the matter was rescheduled to November 2, 2017. Moreover, the counsel was advised to submit the written response by October 26, 2017. The Counsel did not submit any written response to the notice by October 26, 2017. However, on November 2, 2017, the Counsel submitted withdrawal of power of attorney to appear on behalf of the Respondent and Mr. Zahir Shah ("Representative") appeared before me on behalf of the Respondent. The Representative requested to grant extension to submit the written response to the notice and also requested to reschedule the hearing. The request of the Representative was acceded to and final opportunity of hearing was provided on November 9, 2017. The written response of the Respondent was received in this office on November 07, 2017. The submissions made by the Representative in its written response are summarized as under:

*That the company has not violated the section 74 of the Securities ACT 2015 and regulation 16(1) of the Brokers Regulation, our first office was registered with PSX, it is pertinent to mentioned here that we shifted the office with the free*



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*consent of the PSX; in this regard duly information was acknowledged to the PSX. We have also written a letter to PSX for change of management, the same was rejected by the PSX due to non eligibility of fit and proper criterion, and it is also mentioning, that we have completed all process with the SECP, but due to reason best known to SECP, the PSX refused the same.*

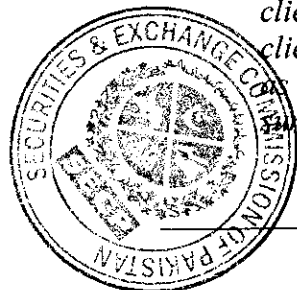
*That prior to the above, first team of SECP (JIT) came on May, 2016, and the team had also investigated upon the registration as a broker for the year, 2016 and 2017, if SECP would had find any illegal activity on that time they would have approached to the PSX, and would have been suspended the Licence, it means that there was/is no illegality.*

*That it is further submitted that we have completed the requisite criterion for registration and in this regard proper documents along with a challan of Rs. 5000/- (five thousand only) submitted to the PSX, through Cross Cheque. But despite the fulfillment of all requirements, the PSX suspended terminals in March, 16, 2017, without quoting any solid reason.*

*We received inspection order on 14 March, 2017 by inspection team (JIT) of SECP, which is headed by Hamad Javed Joint director, and it is stated in the inspection order that the inspectors will commence the inspection work from 20 March, 2017 to our registered branch office, thereafter on 17 march, 2017 SECP Passed investigation order on our inspection materials and came to our office without any information, prior to the given date and confiscated/ seized the whole records of our office. It is also mentioning that the SECP team not only harassed our staff but confined all of our staff in a room and confined them till five hours, this act of the SECP also against the Pakistan Penal Code; It is also mentioning that we have no record/documents with regards to the case as the whole records including freezing our bank accounts, cheque books seized by SECP till today.*

*That the company issued a letter on 17th May, 2017, to Mr. Hamad Javed Joint director of SECP for the return of the above company seized records, which were seized vide Investigation No.SMD/SSED/OSW/IF/81/17 dated March, 17, 2017, but the SECP did not head to hear our genuine request, and also ignored the letter and even not reply to the letter till today.*

*That due to the above, we feeling embarrassment as a broker in stock market, as well as with our clients. Our clients cannot receive the payments because of our cheque and account which is seized by you, but we assured you that all payments regarding our clients is deposited in our bank accounts, if SECP wants to finish the complaints of our clients, very kindly return the whole records of our office, and finish bar against the bank account and return our cheque books of our clients accounts, which may able us to return the payments of the innocent clients. In the above circumstances, we are feeling shame to continue business as a broker in the stock market. We are going to winding up the business and surrender our TREC.*





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*That no examination in chief was recorded, but instead of recording examination in chief, the authority directly started cross examination which is against the law.*

*That this is also mentioning that during the cross examination, the inspection team putting the question and not noted the reply of the witness but noted of his own observation, which is against the Qanoone-e — Shahadat/ evidence Act.*

*That the whole proceedings were proceeded ex parte and no opportunity of proper hearing was given to the company. That the remaining C&D Parts of the show cause notice is related with our records which are seized by your office.*

7. On November 09, 2017, the Representative appeared before me in person at Commission's office located in Islamabad. The Representative during the course of hearing reiterated the submissions made in the written response. The Representative asserted that the Respondent shifted its trading facility with consent of PSX and intimation to this effect was submitted with PSX. The Representative also submitted copy of letters sent by the Respondent to PSX regarding shifting of its office as evidence. The Representative during the course of hearing was informed, that the Respondent only intimated PSX regarding shifting of its office, however, the regulatory framework explicitly requires prior approval of PSX before shifting the office, which was not granted by PSX in the instant matter. Moreover, the concerned officer from the relevant department informed the Representative that the Investigation team has only seized copies of ledgers/bank statements and other related record of the Respondent, therefore, the plea of the Representative does not have any ground and the Respondent should have responded the instances noted in the SCN.

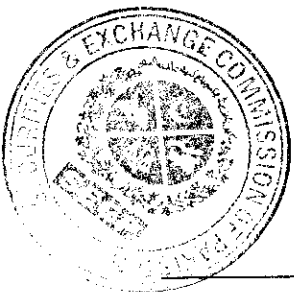
8. I have heard the arguments presented by the Representative during the hearing. Additionally, I have perused the available record, existing regulatory framework applicable, written response filed by the Respondent vide letter dated November 07, 2017 and verbal submissions made by its Representative during the course of hearing.

The material issues that emerge from the facts of SCN, reply submitted by the Representative on behalf of the Respondent and submission made by the Representative along with my conclusions are as follows:

- (i) With regard to the plea of the Representative that the Respondent shifted, its office with consent of PSX and intimation to this effect was also submitted to PSX by the Respondent, the Representative during the course of hearing did not provide any evidence regarding approval of the same by PSX, which was required before shifting its trading facility to address 2. Regulation 16 of the Securities Brokers Regulations and clause 22 of the Rule Book explicitly requires a securities broker not to operate and have any branch without approval of PSX. Regulation 16(2)(g) of Brokers Regulations provides as under:

*A Securities Broker shall not:*

*"Operate or have any branch without registration of the same with the Securities Exchange and after fulfilling all other applicable requirements"*





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Moreover, clause 22.2 of the Rule Book provides as under:

*“A Broker may open its Office(s)/Branch Office(s) within and outside the premises of the Exchange for conducting business and trading of securities in accordance with these Regulations as well as the law applicable in this behalf subject to prior approval of the Exchange in writing and completion of the following formalities....”*

In view of the clear requirements provided in the aforementioned provisions of law and in absence of prior approval of the PSX, the Respondent could not shift its trading facility to address no. 2. Hence, the arguments put forward by the Representative are not tenable and violation of Brokers Regulations and Rule Book is established.

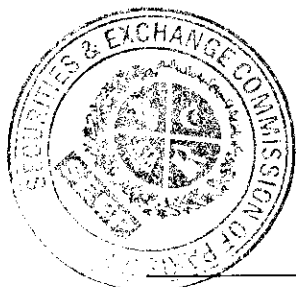
- (ii) With regard to assertion of the Representative in its written response and during the course of hearing that, the investigation team directly started cross-examination without taking into account the stance of the individuals who recorded their statements. It is to mention here that written statements recorded by the investigation team of Mr. Wajid Razzaq-Compliance officer of the Respondent, Mr. Mumtaz Hussain Shah, Chief Executive officer of the Respondent and Mr. Bilal Aurungzeb Noor are statements made on oath duly signed by all the aforementioned individuals and affixed with thumb print of all the individuals. Therefore, written statements of individuals as mentioned in the SCN are in accordance with section 137(3)(b) of the Act which provides as under:

*“ (3) Every person required under sub-section (2),  
(b) may be asked to make a statement of the facts which shall be reduced into writing and signed by him or affixed with his signature or thumb print... ”.*

Mr. Wajid Razzaq-Compliance officer and Mr. Mumtaz Hussain Shah-CEO while recording their statements with the investigation team admitted that Mr. Bilal Ahmed Noor was acting as de-facto CEO of the Respondent and used to place orders from house account on daily basis, looked after all the operational matters, was authorized signatory for all the financial transactions. Moreover, another brokerage house namely Invest Forum (Pvt.) Limited was operative from the same office space of the Respondent. The written statements of the individuals duly signed and affixed with thumbprint also includes the following:

*“I have given my above statement without undue influence, coercion, duress and with my free will. Whatever stated above is true and correct to the best of my knowledge and belief”.*

In view of above, there is no ambiguity that the said written statements were recorded in contravention of law. Furthermore, in view of the confessions made in the written statements of the aforementioned individuals, it is established that the Respondent failed to observe standards of conduct and obligations as





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provided in section 74 of the Act and regulation 16(1) of the Brokers Regulations.

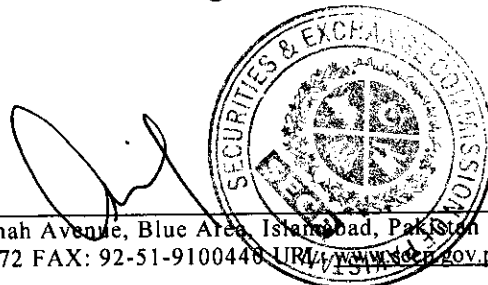
- (iii) With regard to the assertion of the Representative that the investigation team has seized all the necessary record of the Respondent, therefore, the Respondent is not in position to respond to the instances related to clients' assets segregation as mentioned in the SCN. In this regard, the department representative/investigation officer during the hearing stated that, utmost caution was observed and backup of the record was left with the management of the Respondent with a view to facilitating them in discharge of their normal duties towards their clients and other related aspects. Therefore, the plea of the Representative in this regard has no merit.

The Respondent by providing loan to Mr. Bilal Aurangzeb Noor from clients account has misused the assets of the customers. Moreover, the Respondent withdrew the cash amount of above Rs. 25,000/- from Client Bank Account (Bank Alfalah, Account No 0407-1003047109, Stock Exchange Building Blue Area Islamabad). Hence, violation of clause 4.18 and 4.24 of the Rule Book is established.

9. The violations of the regulatory framework committed by the Respondent are established and are of serious nature. The Respondent by illegally shifting its trading facility without prior approval of PSX, misuse of client assets by providing loan to Mr. Bilal Aurangzeb Noor from clients account, withdrawing cash amounts in excess of Rs. 25,000/- from client's bank account and allowing Mr. Bilal Aurangzeb Noor to operate as de-facto CEO of the Respondent as evident from the written statement of CEO of the Respondent has failed to observe high standard of integrity and conduct specified for the Regulated Persons and contravened provisions of the Act, Brokers Regulations and the Rule Book.

10. In view of the foregoing and severity of the violations, I am of the considered view that continuing the licence of the Respondent as a Securities Broker would be neither in the interest of capital market nor in the interest of the investors. I, therefore, in exercise of the powers conferred under section 150(1) (ii) and 150(2) of the Act hereby **Cancel** the licence of the Respondent as Securities broker of the Pakistan Stock Exchange and impose a penalty of **Rs. 5,000,000/- (Rupees Five Million only)** respectively. 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 (CDC) and National Clearing Company of Pakistan Limited (NCCPL) to proceed further as per regulatory framework and in light of this order.

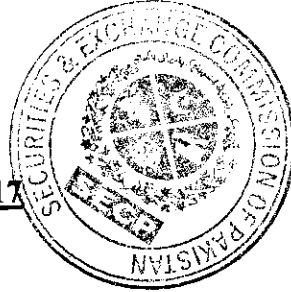
11. The matter is disposed of in the above manner and the Respondent is directed to deposit the fine in the account of the Commission being maintained in the designated branches of MCB Limited or United Bank Limited not later than thirty (30) days from the date of this order and furnish the copy of the deposit challan to the undersigned.

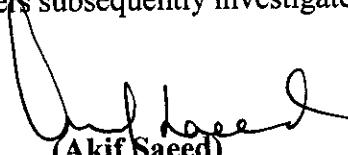




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12. This order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.



  
(Akif Saeed)  
Commissioner (SMD)

**Announced on: December 13, 2017**