Through Courier

Before the Commissioner (SMD)

In the matter of Show Cause Notice to A.H.K.D. Securities (Pvt.) Limited in terms of Section 152 of the of the Securities Act, 2015 read with Regulation 11 of the Securities Broker (Licensing & Operations) Regulations, 2016

Date of Hearing	*1. July 27, 2017* *2. September 7, 2017* *3. September 20, 2017* *4. September 21, 2017* *5. September 22, 2017* *6. September 28, 2017* *7. October 4, 2017*
Present at the Hearing	
Representing A.H.K.D Securities (Pvt.) Limited	*Mr. Mazhar-ul-Hasan* *Mr. Izhar-ul Hasan*
Assisting the Commissioner (SMD)	*Mr. Faisal Nawaz* *Joint Director (SMD-PRPD)* *Ms. Asima Wajid* *Additional Joint Director (SMD-PRPD)*

ORDER

This Order shall dispose of the proceeding initiated through Show Cause Notice dated July 14, 2017 ("**SCN**") issued to M/s. A.H.K.D Securities (Pvt.) Limited ("**Respondent**") under section 152 of the Securities Act, 2015 (the **"Act"**) read with Regulation 11 of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the **"Regulations"**).

2. In terms of proviso of regulation 3 of the Regulations, 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 *2.(e) any licence, certificate or document issued, made or granted under any enactment hereby repealed shall be deemed to have been issued, made or granted under*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 August 26, 2016 as it's existing registration expires on the said date. By virtue of promulgation of the 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 was required to submit its application for renewal of licence as securities broker under the Regulations on or before October 31, 2016. However, the Respondent failed to submit its application for renewal of licence as securities broker with in stipulated time period. Thus, the licence of the Respondent as a securities broker stood expired with effect from August 26, 2016. Further, the Pakistan Stock Exchange Limited ("**PSX**") vide notice dated August 25, 2016 has also suspended the trading terminal of the Respondent with effect from August 26, 2016.

4. In view of the above facts the Respondent, prima facie, was not compliant with the provisions of Regulation 9(1) of the Regulations. Consequently, a SCN dated July 14, 2017 was issued to the Respondent whereby it was called upon to explain as to why the Respondent's, licence as securities broker may not be cancelled in terms of regulation 11(3)(e) of the Regulations. The Respondent did not submitted any written response to the SCN.

5. The Respondent was also provided an opportunity of personal hearing. A hearing in the matter was scheduled on July 27, 2017 before the undersigned. However, the legal counsel of the Respondent (i.e. M. Mazhar-ul-Hasan & Co., Advocates High Court & Tax Advisor) vide their letter dated July 27, 2017 submitted that:

> "*Under the instruction of my client named above, it is submitted that the business of brokerage house is dormant for the last three years and office also remained closed to reduce the over head cost.*
>
> *The captioned show cause notice has been delivered to the CEO of the company through Pakistan Stock Exchange on 26-07-2017, whereas compliance sought on 27-07-2017, which seems that no reasonable time/opportunity has been given, which against norms of Natural Justice.*
>
> *You are therefore requested to allow at least 15 days time to submit the proper response in terms of show cause notice captioned above……*"

6. Thereafter, no response to the SCN was received in this office. Thus, the Respondent vide notice dated August 22, 2017 was again called for hearing on September 7, 2017 which was rescheduled for September 20, 2017, September 21, 2017, September 22, 2017 and for September 28, 2017 respectively. However, no one appeared on behalf of the Respondent on said dates. Therefore, in order to provide a fair opportunity of personal hearing, the matter was again fixed for hearing on October 4, 2017.

7. On October 4, 2017, Mr. Mazhar-ul-Hasan and Mr. Izhar-ul-Hasan of M. Mazahar-ul-Hasan & Co. ("**Representatives**") of the Respondent appeared before me through video link

facility from Securities and Exchange Commission of Pakistan (the "**Commission**") Karachi Office. The Representatives of the Respondent were not aware of the matter as they misunderstood the subject matter with another proceeding going on against the Respondent and requested for the copy of subject SCN. Therefore, copy of SCN was provided to the Representatives of the Respondent and was advised to serve the same to the Respondent and submit their written response to the said SCN within seven days along with the Authority letter to represent the case on behalf of Respondent.

8. Thereafter, the Representatives of the Respondent vide letter dated October 10, 2017 submitted that:

> *"..... in spite of my best effort I could not able to contact my client named above as his house is closed for business for the last 4 years. Unless, I do not received any instruction from my client I cannot submit the categorical reply....."*

Further, the Authority letter to represent the case on behalf of the Respondent was not provided by the Representatives.

9. I have analyzed the facts of the case, relevant provisions of the Act and the Regulations. It is hereby concluded that despite of giving number of opportunities and considerable time period, the Respondent failed to submit their stance in respect of SCN. Therefore, considering the non-serious and casual attitude of the Respondent, it is deemed fit to decide the matter on the basis of available record.

10. Keeping the forgoing in view, I am of the considered opinion that by not applying for renewal of licence the Respondent is non-compliant with the provisions of Regulation 9(1) of the Regulations. Thus, the licence of the Respondent as securities broker stands cancelled in terms of Regulation 11(3)(e) of the Regulations. 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.

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

A. PSX shall:

a. Immediately suspended the TRE Certificate of the Respondent and proceed further for the cancellation of TREC after following the due process under the applicable regulatory framework.

b. Obtain the latest Certificate of Registration as broker issued by the Commission to the Respondent in original and send the same to the Commission.

B. CDC shall:

a. Immediately suspended the admission of the Respondent as CDS participant and proceed further for termination of the same after following the due process under the applicable regulatory framework;

C. NCCPL shall:

a. Immediately suspended the admission of the Respondent as Broker Clearing Member and proceed further for termination of the same after following the due process under the applicable regulatory framework

b. Immediately close out the outstanding positions of the Respondent, if any and release the excess margins after final determination of loss, if any, under the applicable regulatory framework.

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
Islamabad.