



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 Invest Forum (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

July 31, 2017

Present at the Hearing

Representing Invest Forum (Pvt.) Limited

Mr. Zahir Shah, Advocate-
Ahmed Bashir & Associates
(Authorized Representative)

Assisting the Commissioner (SMD)

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

ORDER

This Order shall dispose of the application of M/s Invest Forum (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2.(e) any licence, certificate or document issued made or granted under any enactment hereby repealed shall be deemed to have been issued, made or granted under this Act and shall, unless cancelled in pursuance of the provision of this Act, continue in force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 November 24, 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





Securities and Exchange Commission of Pakistan

Securities Market Division

Public offering and Regulated Persons Department

brokers whose renewal was due from June 30, 2016 was extended up till October 31, 2016. Accordingly, the Pakistan Stock Exchange Limited ("PSX") submitted the application vide letter dated November 1, 2016 for renewal of licence as securities broker to 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 February 17, 2017 of the Respondent due to office space issues;
- ii. On March 16, 2017, the PSX has suspended the trading terminals of the Respondent due to following reasons:
 - Operating trading terminals in violation of agreed terms of KATS Agreements from an unregistered office; and
 - Violation of Office/Branch Regulations of PSX.

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 a securities broker;

9. Renewal of licence.-





Securities and Exchange Commission of Pakistan

Securities Market Division

Public offering and Regulated Persons Department

(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. On the given date, Mr. Zahir Shah, Advocate, Ahmed Bashir & Associates (“Authorized Representative”), appeared before me without documentary evidence of such authorization. Accordingly, the Authorized Representative was advised to submit their stance in writing along with the documentary evidence of Authorization given by the Respondent.

7. The Authorized Representative vide its letter dated August 1, 2017, has submitted the written response into the matter on behalf of the Respondent along with Power of Attorney. The written response submitted on behalf of the Respondent may be summarized as under:

“ We have been instructed by our client M/s. Invest Forum (Pvt.) Limited (hereinafter, our client) to respond to the above mentioned show cause notice dated July 19, 2017 (hereinafter, the Show Cause Notice):

We respectfully submit on behalf of our client as under:

1. *The Show Cause Notice alleges that PSX has furnished an unsatisfactory on-site visit report in relation to our client and its trading terminals are also suspended since March 16, 2017.*

2. *In response, with due respect SECP is requested to take the following facts in consideration:*





Securities and Exchange Commission of Pakistan

Securities Market Division

Public offering and Regulated Persons Department

(a) To our utter surprise, in the Show Cause Notice SECP has conveniently omitted to mention that in third week of March our client was subjected to the worst kind of harassment by an investigation/inquiry team of SECP which took away (and still has in possession) all the documents of our client including company seal, stamps, cheque books, data, IT system/back office and all records relating to pending application for approvals etc. At present all the records of our client are in SECP's possession.

(b) You will appreciate that under the circumstances it is not possible for our client to satisfactorily meet any demand raised by PSX or SECP. Moreover, bank accounts of our client are also blocked since March 2017 on SECP's instructions. All relevant documents and records are at present in SECP's possession and may be looked at and taken into account in relation to this matter.

(c) In the instant case it is totally unfair on the part of SECP to first seize all the records and materials and later ask for explanations....."

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 via written response dated August 1, 2017. Considering these following is hereby concluded:

- i. The written response of the Authorized Representative is irrelevant, as the notice dated July 19, 2017 requires the explanation from the Respondent in respect of its unsatisfactory onsite visit report dated February 17, 2017 and the suspension of the Trading Terminal of the Respondent by PSX on March 16, 2017. Whereas, the Authorized Representative is referring the enquiry by the Commission in the 3rd week of March 2017 which is a separate matter.
- ii. The Respondent has not submitted any explanation in respect of unsatisfactory onsite visit report and suspension of Trading Terminals.

9. 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.

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 CDCS participant and proceed further under the applicable regulatory framework.





Securities and Exchange Commission of Pakistan

Securities Market Division

Public offering and Regulated Persons Department

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.



Hafiz Saeed
Commissioner (SMD)

Announced on December 13, 2017
Islamabad.