



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
Adjudication Department-1
Adjudication Division

November 12, 2020

No. 2(142)SMD/Adj/2019/444

Chief Regulatory Officer,
Pakistan Stock Exchange Limited
Stock Exchange Building,
Stock Exchange Road,
Karachi-74000

SUBJECT: Order dated November 10, 2020 issued under Section 150 and Section 152 of The Securities Act 2015 (the "Act") in the matter of Infinite Securities Limited.

Dear Sir,

Please find enclosed herewith a copy of the Order dated November 10, 2020 issued under Section 150 and Section 152 of the Securities Act 2015 (the "Act") in the matter of Infinite Securities Limited (ISL).

2. Para 11 and 12 of the said Order is reproduced hereunder:

"11. Furthermore, I, in terms of powers conferred under Section 71 of the Act hereby direct the Respondent to ensure rectification of identified default by appointing eligible person as CEO/Director in place of Mr. Hassan Ibrahim within 60 days of the date of this Order.

12. In case of non-compliance of the aforesaid direction, license of the Respondent shall be considered suspended under Section 152 of the Act, from the 61st day of the date of this Order. The Respondent is hereby directed to inform all its all customers regarding suspension of the licence, in case of such suspension, and settle all dues of the customers within fifteen days and remain responsible for clearing and settlement of all his obligations till the suspension of license."

3. PSX is advised to take necessary action as envisaged in the regulatory framework, in case of default of the above referred direction of the Commission.

Sincerely,

Osman Syed
Joint Director

CC:

- i. Director/HoD, PRDD-SMD, SECP, Islamabad
- ii. Director, BCD-SMD, SECP, Islamabad



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I
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Through Courier

Before the Commissioner (SMD)

In the matter of Show Cause Notice issued to Infinite Securities Limited

Date of Hearing	October 23, 2019
Present at the Hearing	i. Mr. Hassan Ibrahim Ahmed-CEO
Representing Infinite Securities Limited	ii. Syed Abbas Haider Zaidi-Director iii. Mr. Salman Farooq-(CFO of D.S Textiles)

ORDER

This Order shall dispose of the proceedings initiated pursuant to Show Cause Notice (the "SCN") No. 2(142)SMD/ADJ/2019 dated October 16, 2019, issued to M/s. Infinite Securities Limited (the "Respondent") by the Securities and Exchange Commission of Pakistan (the "Commission"), wherein, name of the Respondent was inadvertently mentioned as M/s. Infinite Securities (Pvt.) Limited.

2. Brief facts of the case are that the Respondent is a TRE certificate holder of Pakistan Stock Exchange (the "PSX") and licensed as a securities broker by the Commission. The Commission granted renewal of license to the Respondent subject to the condition that it would submit clean CIB report/status, latest by June 30, 2019, where sponsors/directors of Respondent hold sponsorships/directorship of other companies. The Commission, through PSX, sought compliance status of the condition attached with the renewal of license of the Respondent vide email dated July 18, 2019. Despite various correspondences exchanged on the subject matter, the Respondent failed to provide any documentary evidence of clean CIB report/status and requested extension of time of three months vide letter dated September 3, 2019. The Commission sought latest CIB report i.e. dated August 22, 2019 from State Bank of Pakistan (SBP), which depicted overdue status of amount of Rs.14.332 million of Mr. Hassan Ibrahim (CEO of the Respondent) for a period of more than 90 days. Further, the CIB of company where Mr. Hassan Ibrahim holds position of director also depicts amount of Rs.54.43 overdue for more than 365 days.

3. In terms of Regulation 4(e) of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the "Regulations") requires that "the applicant, its sponsors, directors and senior management officers are fit and proper persons as per the criteria specified in Annexure B". Relevant parts of the Fit and Proper Criteria set out in Annexure B of the Regulations are reproduced hereunder:-

"Sub clause (iii) of the clause (a)

The person and companies, firms, sole proprietorship etc. where the person is a executive, director (other than nominee director), owner or partner etc., has/have no overdue payment to

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any customer, financial institution, securities exchange, clearing house, central depository and / or defaulted in payment of any taxes in the individual capacity or as a proprietary concern or any partnership firm or as director in any private unlisted and listed company.

Explanation: *In case of overdue payment to any financial institution, CIB reports from the State Bank of Pakistan shall be examined and if there is any overdue/past due payment to a financial institution, irrespective of amount, in overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where such person is a chief executive, director (other than nominee director), owner or partner etc., such person shall not be considered fit and proper person except: "*

Further, Regulation 16(1)(h) of the Regulations stipulates that:

"16. Duties and obligations of a securities broker.- (1) *In addition to the requirements provided under the Act and the Futures Act and any other rules or regulations made thereunder, a securities broker shall:*

(h) remain in compliance with the licensing requirements at all times and inform the Commission immediately when it is non-compliant with any of the said requirements;"

4. The above-mentioned violation, prima facie, attracts panel provisions contained in section 150 and section 152 of the Act, which are reproduced below:

"150. Disciplinary action in respect of licensed person.—(1) *Subject to section 154, where—*

(a) a licensed person is or was at any time, guilty of misconduct; or

(b) the Commission is of the opinion that a licensed person is not a fit and proper person to remain a licensed person, the Commission may exercise such of the following powers as it considers appropriate in the circumstances of the case—

(i) suspend his licence, whether in relation to all or any of its activities for which he is licenced, for such period or until the occurrence of such event as the Commission may specify;
or

(ii) cancel his licence, whether in relation to all or any of the its activities for which he is licensed;
or

(iii) publicly reprimand the licensed person.

(2) Subject to section 151, where a licensed person is or was at any time, guilty of misconduct, the Commission may make one or more of the following orders, separately or in addition to any power exercisable under clause (i), (ii) or (iii) of sub-section (1) that the licensed person shall pay to the Commission by way of penalty such sum,—

(a) not exceeding fifty million rupees;



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(b) not exceeding the amount of any profit gained or loss avoided by the licensed person as a result of the misconduct in question;

(c) appropriate to reimburse the Commission for the costs and expenses it has reasonably incurred in relation or incidental to the investigation of the licensed person's conduct.

(5) In this section "misconduct" means—

(a) a contravention of any of the provisions of this Act, the rules, regulations made by the Commission or regulations made under this Act;

(b) a contravention of any of the terms or conditions of a licence granted under this Act;

(c) failure to comply with a direction of the Commission; or

(d) an act or omission by a licensed person in relation to his activity which, in the opinion of the Commission, is or is likely to be prejudicial to the public interest, and the expression "guilty of misconduct" shall be construed accordingly.

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,

(iv) the Commission has reason to believe that the company or any of its directors or employees has not performed his duties honestly and fairly;

(vi) the company is in breach of this Act, any rule or any regulation made under this Act;

(ix) by reason of any other circumstances, the company is no longer a fit and proper person to hold a licence."

5. Therefore, a SCN dated October 16, 2019 was issued to the Respondent whereby it was called upon to explain as to why action should not be taken under section 150 and 152 of the Act for contravening provisions of regulatory framework. The Respondent was directed to file its written reply within 7 days from the date of SCN and attend hearing on October 23, 2019 to present stance in person. The Respondent submitted its reply dated October 29, 2019 which is reproduced below:

"It was communicated to our Clients by the Authority in the hearing dated 23-10-2019, that the basic apprehension on the basis of which the Show Cause Notice was issued was over-dues reporting in the CIB data of Mr. Hassan Ibrahim Ahmed and ----- Textiles Limited where the Hassan Ibrahim Ahmed is director in that Company.

In this connection and on the instructions of our Client we would like to submit before the learned Authority the following facts and grounds:



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1. That the ---- Textiles Limited and Mr. Hassan Ibrahim Ahmed have completely settled their liabilities towards ---- Bank Limited and as such there are no outstanding / overdues payable to the ----- Bank Limited.
2. That the ---- Bank Limited has also confirmed in writing that the --- Textiles Limited and Mr. Hassan Ibrahim Ahmed have settled their liabilities and that no further amount is payable by the ---- Textiles Limited and Mr. Hassan Ibrahim Ahmed. (Copy of the ---- Bank Letter dated 21-10-2019 is enclosed).
3. That ---- Bank Limited has also stated in its letter dated 21-10-2019 that at present the Board of the Bank is not functional and whenever the next meeting is held, the Board will undertake the needful and issue the necessary clearance.
4. That ---- Bank Limited has already confirmed to Mr. Hassan Ibrahim Ahmed that as per agreement he has repaid entire settlement amount and there is no further payment is to be made to the Bank and that his NOC is under process. (Copy of the ---- Bank letter dated 25-07-2017 is enclosed).
5. That our Clients have been very vigilant in this regard and have time and again approached and requested ---- Bank Limited for the issuance of the requisite NOCs to --- Textiles Limited and to Mr. Hassan Ibrahim Ahmed. (Copies of the letters to --- Bank Limited dated 04-05-2017, 01-06-2018, 03-09-2019 and 09-10-2019).
6. That our Clients have also requested the State Bank of Pakistan regarding clearance of over-dues appearing in both CIBs. (Copies of the letters to ---- Bank Limited dated 30-05-2019 and 09-10-2019).
7. That the aforesaid conduct on clearly establishes the bona fide and vigilance of our Client.
8. In view of above clarifications and in the absence of the necessary actus rea and mens rea, it is most humbly requested that the matter is closed and the show-cause notice in question is withdrawn.
9. Moreover in view of the above said submissions and the supporting documents enclosed herewith, it is quite clear that our Clients have fully settled their respective liabilities. And that the clearance of the overdue reporting is due no fault of our Clients and attributable only to --- Bank Limited, which as per the letters issued by ---- Bank Limited will also be cleared once their Board will resume its charge.
10. That in view of the foregoing it is also quite clear that our Clients have not committed any violation or contravention of section 150 and 152 of the Securities Act, 2015, as alleged in the Show Cause Notice. The same is therefore liable to be withdrawn forthwith."

6. On the said date of hearing October 23, 2019, Mr. Hassan Ibrahim Ahmed (CEO of the Respondent), Syed Abbas Haider Zaidi (Director of the Respondent) and Mr. Salman Farooq (CFO of ---- Textiles) hereinafter, called as (the "**Representatives**") attended the hearing on behalf of the Respondent. During the hearing proceedings, the Representatives reiterated the argument as submitted



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in response to the SCN. Further, the Representatives said that all the liability of the bank has been settled, resultantly, the bank has cleared us in relation to Mr. Hassan Ibrahim Ahmed and associated company. Moreover, they also wrote a letter to SBP to clear its factual position from CIB report showing overdue amount.

7. Afterward, the hearing opportunity was provided to Respondent vide hearing notice dated June 9, 2020 to appear on June 18, 2020. The Respondent did not appear on the said date; however vide its letter dated June 17, 2020 Respondent submitted as follows:

“

We are writing with reference to your letter number 2(142)SMD/Adj/2019-500 dated June 9, 2020 for hearing on June 18, 2020 with respect to the aforementioned show cause dated October 16, 2019.

Due to the COVID-19 pandemic and prevailing lock-down situation in the country, our offices are closed. In view thereof, it is kindly requested that our following written submissions may be treated as the Company's response and matter may proceed accordingly.

The aforementioned show cause notice was issued to Hassan Ibrahim Ahmed because of the overdue reporting in the CIB data of Hassan Ibrahim Ahmed and --- Textiles Limited where the Hassan Ibrahim is Director in the Company and in last hearing on October 23, 2019 we had explained you the scenario of the case.

In this respect we do hereby clarify as under;

1. *That Hassan Ibrahim Ahmed has settled its entire liability towards --- Bank Limited and as such, there is no overdue in his name. (Letter from --- Bank dated July 25, 2017 is attached)*
2. *That ---- Textiles Limited has also settled its entire liability towards ---- Bank Limited and as such there is no overdue in the name of ---- Bank Limited (Letter from ---- Bank dated October 21, 2019 is attached)*
3. *That ---- Bank Limited has also stated in its letter dated October 21, 2019 that at present the Board of Directors of the Bank is not functional and whenever the next meeting is held, the Board will undertake the needful and issue the necessary clearances.*
4. *That we have also succeeded in obtaining a letter from the ---- Bank Limited but the status is the same as their Board is still not functional (Letter from ---- Bank dated June 15, 2020 is attached)*
5. *That we had also provided you reply from our Legal advisor KHOSA & RIZVI regarding said issue in which they tried to convince you that Hassan Ibrahim Ahmed has not done any contravention & non-compliance of sections 150 and 152 of the Securities Act 2015 (Letter from Lawyer attached).*
6. *That Infinite Securities Limited has already requested to Additional Director (LRAD), Securities Market Division, Securities & Exchange Commission of Pakistan for change in the sponsors of the Company. Once we receive approval from the Authority, Hassan Ibrahim Ahmed*



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will be replaced by new sponsors of the Company. (Copies of the letters dated February 17, 2020, March 5, 2020 and May 28, 2020 are attached for your ready reference).

In view of the foregoing, it is also quite clear that Hassan Ibrahim Ahmed has not committed any violation or contravention of section 150 and section 152 of the Securities Act 2017, as alleged in the show cause notice. The same is therefore liable to be withdrawn forthwith."

8. Subsequently, the Respondent has again been provided the hearing opportunity on August 20, 2020 via letter dated August 11, 2020. However, the Respondent vide its letter dated August 20, 2020 submitted as reproduced below:

"

In last hearing on October 23, 2019 Hassan Ibrahim had comprehensively explained to the Commission that all overdues reporting against his & --- Textiles' names had been settled and NOCs are in process. The delay in issuing the NOCs by the concerned bank is due to the reason that its Board is still not functional.

In view of the matter described above, you are therefore advised to please treat our previous reply dated June 17, 2020, as our point of view for today's hearing and drop the proceeding of your captioned show cause notice."

9. The latest CIB report dated October 26, 2020 of Mr. Hassan Ibrahim which is still showing overdue amount of Rs.14.333 million.

10. I have examined the submissions of the Respondent and its Representative and analyzed as follow:

a) The Respondent is found non-compliant with the Fit and Proper Criteria as prescribed for applicant, sponsors, directors and senior management officer of securities brokers specified in Annexure B of the Regulation 2016 and same has also been confirmed from the Respondent letter dated September 3, 2019 wherein they had requested the Commission to give them three month time i.e. till November 30, 2019 to resolve the said issues and still not resolve it as mentioned in Para 8 above.

b) Fit and Proper Criteria prescribed under regulatory frameworks i.e. Securities Brokers (Licensing and Operations) Regulations, is perpetual in nature and its compliance is mandatory. Extract of Annexure B of the Securities Brokers (Licensing and Operations) Regulations in this context is reproduced hereunder for reference:

*"This Fit and Proper Criteria is perpetual in nature and its compliance is mandatory.
All persons subject to Fit and Proper Criteria must submit any change in the submitted*



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information, including financial soundness to the company secretary of the securities broker within three business days and the securities broker shall within a period of seven business days report the same to the securities exchange and the Commission. "

(Underlined for emphasis)

c) Annexure B of the Regulations while explaining the requirement pertaining to "Financial Soundness and Integrity" stipulates as follows:

In case of overdue payment to any financial institution, CIB reports from the State Bank of Pakistan shall be examined and if there is any overdue/past due payment to a financial institution, irrespective of amount, in overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where such person is a chief executive, director (other than nominee director), owner or partner etc., such person shall not be considered fit and proper person except:

(a) in case where such overdue amount is under litigation and the same is also appearing as amount under litigation in CIB report; or

(b) No overdue payment is appearing in the overdue column in the subsequent latest CIB report.

(Underlined for emphasis)

d) Section 151 of the Act empowers the Commission to prescribe the fit and proper criteria for licensed person or in case of company, member of the board of directors and senior management officers of licensed person.

e) Therefore, the notice was rightly served to the Respondent for being non-compliant with the regulatory framework as prescribed under the Regulations. The Respondent has failed to comply with the eligibility and the prescribed fit & proper criteria on continuous basis and therefore, contravened the criteria set out in Annexure B of the Regulations and provisions of Regulation 16(1)(h) of the Regulations which attracts penal provisions of Section 150 and 152 of Securities Market Act. Considering that the eligibility/fit & proper criteria is perpetual in nature and its adherence is required at all given time; even any subsequent rectification, if any, does not undo the default of the Respondent.

11. I have analyzed the facts of the case, relevant provisions of the Act and the Regulations and the arguments put forth by the Respondent. I am of the considered view that the Respondent is non-compliant with the aforementioned regulatory framework. Therefore, in term of the power conferred under Section 150 of the Act, a penalty of Rs. 1,000,000/- (Rupees one million only) is hereby imposed on the Respondent.

12. Furthermore, I, in terms of powers conferred under Section 71 of the Act hereby direct the



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Respondent to ensure rectification of identified default by appointing eligible person as CEO/Director in place of Mr. Hassan Ibrahim within 60 days of the date of this Order.

13. In case of non-compliance of the aforesaid direction, license of the Respondent shall be considered suspended under Section 152 of the Act, from the 61st day of the date of this Order. The Respondent is hereby directed to inform all its all customers regarding suspension of the licence, in case of such suspension, and settle all dues of the customers within fifteen days and remain responsible for clearing and settlement of all his obligations till the suspension of license.

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

Shauzab Ali
Commissioner (SMD)

Announced on: 10/1/20, 2020
Islamabad