

Through Courier

Before The Director/HOD (MSSID)
In the matter of Show Cause Notice issued to
N.U.A. Securities (Private) Limited

Date of Hearing:

September 24, 2014

Present at the Hearing:

Representing Iqbal N.U.A. Securities (Private) Limited

i) Mr. Muhammad Anees

Manager, N.U.A. Securities
(Private) Limited

Assisting the Director/ HOD (MSSID)

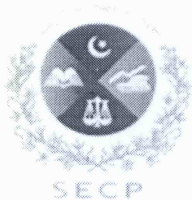
i) Mr. Aoun Abbas Zaidi

Assistant Director, MSSID

ORDER

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(57)/Hascol/MSW/SMD/2014 dated July 24, 2014 ("SCN") issued by the Securities and Exchange Commission of Pakistan ("Commission") under Brokers and Agents Registration Rules, 2001, ("the Brokers Rules") to N.U.A. Securities (Private) Limited ("the Respondent").
2. The brief facts of the case are that the Respondent is a member of Karachi Stock Exchange (Guarantee) Limited ("KSE") and is registered with the Commission under the Brokers Rules. During the Book Building Process ("BBP") of Hascol Petroleum Limited ("HPL") it was noted that the Strike Price of HPL was discovered at Rs. 56.50 with a significant increase of 182.5% against the Offer Price of Rs. 20.00. BBP data was procured from the relevant authorities and it was observed that some of the individuals and institutions frequently raised their bid price soon after discovery of strike price leading to impression of manipulating the Strike Price, therefore, an inquiry was initiated into the matter through inquiry order dated March 26, 2014.
3. Upon analysis of relevant documents and data, the Enquiry Officers observed that the Respondent had placed an initial bid for 472,000 shares, which constituted 2.5% of the total shares offered through the BBP; however 506,500 shares were finally allocated by the end of the BBP. It was observed from the Off-Market data that the Respondent transferred 456,500 shares to its clients through various transactions, therefore, it was advised vide letter dated May 27,

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Securities and Exchange Commission of Pakistan
Securities Market Division
Market Surveillance and Special Initiative Department

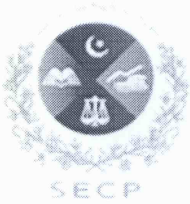
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2014 to submit the Account Opening Forms along with all enclosures and trading ledgers of its clients to whom shares of HPL were transferred through Off-Market transactions. The Respondent submitted the requisite information vide letter dated May 30, 2014.

4. It was observed from the information received from the Respondent that all the clients had made deposit of funds into their accounts which are commensurate with the shares of HPL transferred to them through the Off-Market transactions. Therefore, suspicion was raised that the Respondent, *prima facie*, has indulged in consolidation of bid.
5. In light of the aforementioned, the SCN was issued to the Respondent. The Respondent was asked to submit a written reply within fifteen days from the date of the SCN. The Respondent submitted its written response to the SCN, dated August 19, 2014, in which the Respondent apprised that all brokers of stock exchanges are providing pre-IPO through Book Building to small and big clients through accumulated bid, therefore, this is a market practice to provide facility to every client. The Respondent also stated that they always try their utmost to observe all the rules and regulations of SECP and KSE.
6. Subsequently, a hearing in the matter was fixed on September 24, 2014. The hearing was attended by Mr. Muhammad Anees ("Manager of the Respondent") who submitted the same stance which was taken in the letter dated August 19, 2014 in reply to the SCN and conceded that the requirements of clause (2.2) of the prospectus was not followed.
7. After a detailed and thorough perusal of facts, written submission of the Respondent and the contention made by the Respondent during the course of hearing, it is evident that the Respondent placed a consolidated bid during the BBP of HPL on behalf of its clients. The matter was of prime importance keeping in view the sensitivity of scrip of HPL in terms of its subsequent impact on the market statistics. Book Building system has been introduced in Pakistan Capital Market in order to discover the price of particular scrip by high net worth individuals and institutions through a transparent mechanism based on demand for that scrip. BBP gives privilege to investors to arrive at a price based on the quality and quantity of the bids

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given by the investors having more knowledge about the scrip and have more risk appetite, compared to retail investors. The price discovered through the BBP leaves enough space for retail investors to invest in the scrip bringing more liquidity in the stock market resulting in better returns for the market investors at large. The Respondent placed bids in the BBP of HPL on behalf of retail investors, having less market research and risk appetite as evident from the response, and thus defeated the spirit of price discovery. I am of the considered view that if small retail investors would have not participated in the BBP, as a herding behavior was evident from their participation, the price would not have reached at such a high level.

8. The Respondent being a corporate member should conduct its business with diligence and ensure full compliance of the laws and relevant rules and regulations. It is prime responsibility of the Respondent to monitor all trading activities being carried out through its brokerage house and keep track of any transaction which is being made with a view to create any misleading impression or is in violation of the law.
9. In the instant case, the Respondent has admitted its default for violating clause 2.2 of the prospectus of HPL in respect of consolidation of bid. Keeping in view the admittance by the Respondent and the fact that the Respondent has shown their intention to ensure compliance with the provisions of laws in future, I hereby take a lenient view and instead of imposing fine issue a stern warning to the Respondent. Further, I also direct the Respondent to ensure full compliance of all rules, regulations and directives of the Commission in the future.

Abid Hussain
Director/HOD (MSSID)

Announced on October 24, 2014
Islamabad.

Copy to: N.U.A. Securities (Private) Limited,
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Karachi.

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