



Securities and Exchange Commission of Pakistan
Securities Market Division
(Market Supervision and Registration Department)
* * *

Before the Director/HOD (MSRD)

**In the matter of application of Javed Omer Vohra & Company Limited ("JOVC")
for grant of certificate of Registration as a Broker under the
Brokers and Agents Registration Rules, 2001**

Date of Hearing:

February 17, 2015

Present at the Hearing:

Representing JOVC:

Mr. Ashfaq Tola (Senior Partner)
Naveed Zafar Ashfaq Jaffery & Co.

Assisting Director/HOD (MSRD):

Mr. Murtaza Abbas
Deputy Director - MSRD

ORDER

1. This Order shall dispose of the application of Javed Omer Vohra & Company Limited ("JOVC") for grant of certificate of registration as a broker under the Brokers and Agents Registration Rules, 2001 ("the Rules"), forwarded to the Securities and Exchange Commission of Pakistan ("the Commission") by the Karachi Stock Exchange Limited ("the exchange").

2. As per the requirements of the Rules and Securities & Exchange Rules, 1971 ("the SE Rules"), the examination of the documents submitted along with the application revealed that the subject application was forwarded to the Commission without the following documents.

- i. Copy of Form 29
- ii. Copy of Form A
- iii. Net Capital Balance ("NCB") Certificate
- iv. Copy of Financial statements
- v. List of Shareholders of JOVC
- vi. National Clearing Member ID

3. Pursuant to these deficiencies, the Commission vide email dated October 2, 2014 and the exchange vide letters dated September 29, 2014, October 3, 2014, October 10, 2014, October 22, 2014, November 26, 2014, January 2, 2015 and January 14, 2014, repeatedly advised JOVC to remove the said deficiencies and duly informed JOVC that failing to remove these deficiencies would lead to necessary regulatory proceedings.





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4. In reply to these letters/emails, JOVC vide letter dated October 10, 2014 provided the list of shareholders and financial statements for the year ended June 30, 2014. However, JOVC failed to provide copy of Form A & Form 29 and Clearing Member ID. Subsequently, JOVC vide letter dated January 26, 2015 provided the NCB certificate as at June 30, 2014 issued by Naveed Zafar Ashfaq Jaffery & Co. Chartered Accountants (**"Chartered Accountants"**) showing negative balance of Rs. 307,970,652/-.
5. Given the negative NCB of Rs. 307,970,652/-, the Commission issued a Show Cause Notice (**"SCN"**) dated February 4, 2015 to afford an opportunity of hearing to JOVC in terms of Rule 5(4) of the Rules. Accordingly, JOVC was advised to appear before the undersigned on February 11, 2015.
6. In reply to the said SCN, JOVC vide letter dated February 9, 2015 requested for adjournment of the hearing for further 15 days. Acceding to the request of JOVC, second hearing in the matter was scheduled for February 17, 2015.
7. On the date of hearing, Mr. Ashfaq Tola, (**"the authorized representative"**) appeared on behalf of JOVC and made the following submissions:
 - i. Section 16 (1), (3) and (11) of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (**"the Act"**) is not applicable in the instant case.
 - ii. Winding up application was filed by the lender in 2011 against JOVC hence it was beyond their control to start the business.
 - iii. Winding up petitions referred above were withdrawn by the banks in June 2014 through settlement agreements which is current in process.
 - iv. NCB certificate prepared by the Chartered Accountants has been prepared following the historical unsettled debt with the banks.
 - v. Settlement impact if taken into account will give a positive balance of Rs. 187.67 million.
8. Based on the aforementioned grounds, the authorized representative requested the Commission to withdraw the SCN, since the provisions of the Act are not applicable and it is a case of force-majeure owing to the winding up petition.
9. I have examined the facts, evidences, and documents on record, in addition to the written and verbal submissions made by the authorized representative on behalf of JOVC. In deciding the matter,

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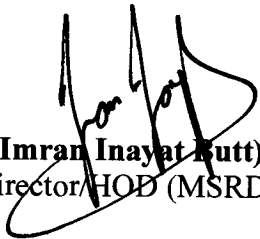
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all the issues raised by the authorized representative are deliberated from the legal perspective. It is evident that Sections 16 (1), (3) and (11) of the Act are duly applicable in this case. As far the winding up petition is concerned, the Commission cannot relax or give additional time for registration in this context. I am of the view that contentions and arguments of the authorized representative in this regard are not tenable.

10. It is important to note here that Rule 19.3.2 of the Rule Book of the exchange stipulates the requirements of NCB for TREC holders and Rule 19.3.2. (a) read with Schedule II of the Rule Book of the exchange provides that a TREC holder can take maximum exposure of 25 times of its NCB cumulatively for all the markets. The NCB certificate issued by the Chartered Accountants shows negative balance of Rs. 307,970,652/-, as on June 30, 2014 whereas Rule 3 (b) the SE Rules, stipulates the requirements for maintaining at all times NCB amount for the TREC holders which in the current scenario is Rs. 2.5 million for the TREC holders of the exchange. In the presence of negative NCB of Rs. 307,970,652/-, JOVC is not capable of taking any exposure in the market and, therefore, the application for grant of certificate of registration falls short of the prescribed criteria.

11. The Commission made every possible effort to ensure that JOVC acquire the certificate of registration as broker under the Rules, to avoid the repercussions of Section 16(11) of the Act. However, based on the deficiencies in the application, including Form A & Form 29, National Clearing Member ID and particularly the negative NCB, I am of the considered opinion that JOVC's application for grant of certificate of registration as broker under the Rules cannot be processed, hence refused in terms of Rule 5 (5) of the Rules.




(Imran Inayat Rutt)
Director/HOD (MSRD)

Announced on February 25, 2015
Islamabad.