



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division

Before Director/HOD (LCID)

In the matter of Show Cause Notice issued Section 22 of the Securities and Exchange Ordinance, 1969, to Mr. Muhammad Adnan Arif a Director of Continental Capital Management Limited

Date of Hearing:

November 03, 2015

Present at Hearing:

Representing the Respondent:

Mr. Mustafa Mumtaz
Advocate,

Assisting the Director/HOD(LCID)

Mr. Muhammad Farooq,
Joint Director, SECP

Order

This Order will dispose of the proceedings initiated under Section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**") by the Securities and Exchange Commission of Pakistan ("**Commission**") through Show Cause Notice No. 1(9)SMD/LCID)2015 dated 15/09/2015 ("**Notice**") against Muhammad Adnan Arif, ("**Respondent**") Director Continental Capital Management Limited (**CCM Brokerage House**).

2. The facts of the matter leading up to aforesaid Notice are that:-

- a) CCB Brokerage House is a Trading Right Entitlement Certificate Holder of Karachi Stock Exchange Limited ("**KSE**") and registered as a broker with the Securities and Exchange Commission of Pakistan ("**Commission**") under the Brokers and Agents Registration Rules, 2001.
- b) The Respondent as per record of the Commission is director of the CCM Brokerage Houses. Besides, he is son of Chief Executive Officer of the CCM Brokerage House.
- c) Pursuant to Commission's directive vide letter No. F. 13/SMD/SECP/2005 dated September 23, 2005 and further clarification circulated through letter No. SMD/ESE/(2(182)12008 dated March 06, 2012, Chief Executive/Managing Director ("with whatever name called") and Nominee Director of any brokerage house can only trade through the brokerage house which he/she is associated with in the said capacity. Furthermore, immediate family members (spouse, children, siblings and parents) of CEO/MD and Nominee Director of a brokerage house may only trade through the brokerage house which the CEO/MD and Nominee Director is associated with.

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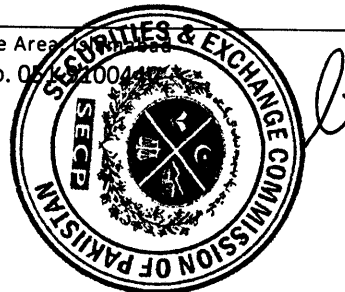


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- d) On perusal of KATS's market data, it was observed that the Respondent has been trading through an account maintained with Din Capital Limited (**Din Brokerage House**) having Client Code 1013. The following transaction's history was observed in aforesaid account of the Respondent:-

Period	No. of Trades	Volume of Trade	No. of Scripts
01/01/2014 to 31/12/2014	1,154	5,225,100	32
01/01/2014 to 11/02/2015	1,369	8,256,900	18

3. In pursuance of the above-mentioned Directive of the Commission, the Respondent was supposed to trade only through CCM Brokerage House, but, he apparently in violation of the said Directive traded through Din Brokerage House. The aforesaid contravention *prima facie* attracts penal provision of Section 22 of the Securities and Exchange Ordinance.
4. The Commission took cognizance of the aforesaid contravention and issued Notice to the Respondent under Section 22 of the Securities and Exchange Ordinance, 169 calling upon him to explain through written reply alongwith documentary evidence, if any, as to why action may not be taken against him pursuant to Section 22 of the Ordinance, for aforesaid contravention of Commission's directive. Mr. Mustafa Mumtaz, Advocate/Senior partner of Liaquat Merchant Associates (**Authorized Representative**) vide letter dated 28/09/2015 responded the Notice on behalf of the Respondent.
5. Furthermore, in order to provide an opportunity of being heard in person, hearing in the matter was fixed on November 3, 2015. On the given date, the Authorized Representative appeared through video link on behalf of the Respondent. The submissions submitted in writing as well as verbally by the Authorized Representative be summarized as under:-
- a) *The Respondent was not having knowledge of the Directive of the Commission.*
 - b) *Upon receipt of letter dated 16/4/2015 from the Commission, the Respondent has closed his account with Din Brokerage House.*
 - c) *The default was not committed willfully.*
 - d) *The Authorized Representative assured that the default will not take place in future and requested to consider the abovementioned explanation and to pardon the oversight/default.*
6. I have heard the Authorized Representative of the Respondent. The Respondent has admitted the default with the plea that it was not committed willfully, because the





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Respondent was not aware of the Directive of the Commission. In order to substantiate the claim, the Authorized Representative stated that the Respondent has closed his trading account upon receipt of letter dated April 16, 2015, from the Commission. The Authorized Representative assured that the default will not be repeated in future. Besides, the compliance history of the Respondent was also enquired from LCI Department of Securities Market Division, which intimated that till date no administrative action has been taken against the Respondent.

7. Considering the available record and documents mentioned above, I am of the view that the being son of CEO of CCM Brokerage House, the Respondent was required to trade only through CCM Brokerage House, in terms of above directive of the Commission. Keeping in view that Respondent has admitted the default and has already closed his trading account with Din Brokerage House as well as LCI Department of Securities Market Division has affirmed that previously no administrative action has been taken against the Respondent; I am taking a lenient view of the matter and not imposing any monetary penalty on the Respondent. However, the Respondent is hereby strictly warned to ensure compliance of the Commission's directive, in the letter and spirit, in future.

8. This Order is being issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission.

Islamabad.

Announced on November 18, 2015




(Nasir Askar)
Director/HOD (SMD) 18/11/2015