



Securities and Exchange Commission of Pakistan

Securities Market Division
Public Offering and Regulated Persons Department
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File No. SMD(SCN)/LCID/BRL-23/2015/

March 10, 2016

Chief Executive Officer,
MSD Capital Equities (Pvt) Limited,
Room # M-11, Mezzanine Floor,
Lahore Stock Exchange Building,
19 Khayaban-e-Aiwan-e-Iqbal Building,
Stock Exchange Road,
Lahore

Subject: ORDER PASSED U/S 22 OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969
ISSUED TO MSD CAPITAL EQUITIES (PVT) LIMITED

Dear Sir,

Please find enclosed herewith copy of order dated January 19, 2016 passed by the Director/HOD (Licensing & Capital Issue Department) on the above mentioned subject for compliance.

Yours sincerely,


Nauman Khan
Deputy Director (LCID)

CC:

- i). The Chief Regulatory Officer, Pakistan Stock Exchange Limited.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
(Licensing & Capital Issue Department)

Through Courier

Before The Director / HOD (LCID)

In the matter of Show Cause Notice issued to MSD Capital Equities (Pvt) Limited under Section 22 of the Securities and Exchange Ordinance, 1969 read with Rule 8 of the Brokers and Agents Registration Rules, 2001

Date of Hearing:

December 30, 2015

Present at the Hearing:

Representing MSD Capital Equities (Pvt.) Limited

(i) Mr. Ghulam Farid-ud-Din

Company Legal Counsel

Assisting the Director/HOD (LCID)

(i) Mr. Muhammad Farooq

Additional Director

(ii) Mr. Nauman Khan

Deputy Director

ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice No. SMD(SCN)/LCID/BRL-23/2015 dated December 03, 2015 ("**SCN**") issued by the Securities and Exchange Commission of Pakistan ("**Commission**") under section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**") read with Rule 8 of the Brokers and Agents Registration Rules, 2001 ("**BR Rules**") to M/s MSD Capital Equities (Pvt.) Limited ("**Brokerage House**"). The Brokerage House is a Trading Right Entitlement Certificate Holder/Broker of Pakistan Stock Exchange ("**PSX**") (formerly Lahore Stock Exchange Limited)

2. Brief facts of the case are that the Brokerage House submitted application for its renewal of registration as broker along with necessary documents including Net Capital Balance ("**NCB**") Certificate as of December 31, 2013. The NCB was duly signed and issued by M/s. Mudassar Ehtisham & Co., Chartered Accountants ("**Auditor**"). In terms of Rule 2(d) of the Securities and Exchange Rules, 1971 ("**SE Rules**"), the NCB is to be calculated in accordance with the Third Schedule to the SE Rules.

3. As part of an exercise conducted by the Commission for verification of NCB Certificates of all registered TREC holders, the Auditor was asked vide letter dated August 17, 2015 to verify the investment taken into account for calculation of NCB, under the head of "**Investment in listed securities, appearing in the name of the Brokerage House**". The Auditor vide letter dated October 05, 2015 informed that investment of Rs 3,276,986 was taken into account for calculation of NCB Certificate as of December 31, 2013 but, the said investment was not appearing in the name of the Brokerage House. The Commission vide letter dated October 26, 2015 asked the





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Brokerage House to clarify its position with regard to above referred NCB certificate. In response, the Auditor on behalf of the Brokerage House stated that *"the Company was a sole proprietorship before its conversion into a private limited company and the shares at that time were in the name of Ms Saliha Haroon, which were actually the shares of the company and subsequently were due to be converted in the company's name, as per director's undertaking"*.

4. Since the NCB of the Brokerage House was *prima facie* not calculated in lines with the requirement of regulatory framework, the Commission took cognizance of the matter and served the SCN to the Brokerage House under section 22 of the Ordinance read with Rule 8 of the BR Rules. The Brokerage House vide letter dated December 29, 2015 submitted its written response to the SCN.

5. In order to provide an opportunity of hearing, the matter was fixed for hearing on December 30, 2015. Mr. Ghulam Farid-ud-Din, Legal Counsel of the Brokerage House (**"Representative"**) attended the hearing on December 30, 2015 through video conference from Commission's Lahore Office. The arguments put forth in writing and verbally by the Representative of the Brokerage House during the course of hearing are summarized below:

- (i) *The Brokerage House is the member of PSX.*
- (ii) *We request the Commission to take a lenient view in the matter as the situation occurred due to misunderstanding.*
- (iii) *We would like to assure the Commission that this error would not be repeated and the error was without any malice or prejudice towards its client and the Commission.*

6. I have gone through the reply of the Brokerage House, heard the arguments put forward by the Representative during the course of hearing, documents available on record and comments of departmental representatives. The status of the Brokerage House was converted from sole proprietorship to company on December 28, 2012. However, the listed shares appearing in the CDC account of the sole proprietor were not transferred to the CDC account of the company. These listed shares appearing in the CDC account of the CEO of the company were included in **"Investment in listed securities appearing in the name of the Brokerage House"** of NCB as of December 31, 2013 and December 31, 2014 and as a result, the NCB was overstated by Rs 3.2 million. It is pertinent to mention here that these shares were not included in the NCB as of June 30, 2015. This has been confirmed by the Auditors.

7. From the above, it is evident that the inflated NCB of the Brokerage House was in violation of rule 2(d) of the SE Rules. Violation of SE Rules attracts the provisions of section 22 of the Ordinance. Submitting an inflated NCB is a serious violation of law. However, keeping in view the fact that the violation has been rectified as of June 30, 2015, I am taking a lenient view and imposing a token penalty of Rs 50,000/- on the Brokerage House. Further, the Brokerage House is directed to transfer the above listed shares into its own account.





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8. The Brokerage House is directed to deposit the penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited not later than thirty (30) days from the receipt of this Order and furnish a copy of the deposit challan to the undersigned.
9. This Order is issued without prejudice to any other action that the Commission may initiate against the Brokerage House in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.



(Nasir Askar)
Director/HOD (LCID)

Announced on January 19, 2016
Islamabad.