



Securities and Exchange Commission of Pakistan

BEFORE APPELLATE BENCH NO. I

In the matter of

Appeal No. 48 of 2013

Mr. Aamir

...Appellant

Versus

Director/Head of Department (MSRD)

...Respondent

Date of Hearing

08/01/15

ORDER

Present:

Appellant:

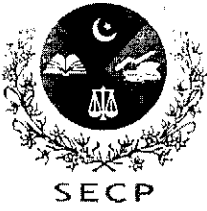
1. Mr. Aamir

For the Respondent (through video conferencing):

1. Mr. Mohammad Arslan Zafar, Deputy Director (SMD)

2. Ms. Tayyaba Nisar, Assistant Director (SMD)

1. This order is in appeal No. 48 of 2013 filed under section 33 of the Securities and Exchange Commission of Pakistan (the "Commission") Act, 1997 ("SECP Act") against the order (the "Impugned Order") dated 17/06/13 passed by the Respondent.



Securities and Exchange Commission of Pakistan

2. The brief facts of the case are that it was observed on perusal of trading data of Karachi Stock Exchange (Guarantee) Limited ("KSE"), that Mr. Aamir ("the Appellant") traded extensively in shares of a number of companies. It was further noted that the trading by the Appellant was conducted through Ismail Iqbal Securities (Pvt) Ltd ("IIS"), Broker/Trading Right Entitlement Certificate Holder of the Karachi Stock Exchange Limited ("KSE").
3. The examination of trading data revealed that the Appellant traded in his brokerage account with IIS from 01/05/12 till 17/04/13 (the "Period"). The analysis of trading pattern of the Appellant during the Period indicated that his trading was carried out significantly in correlation with the trading of the Foreign clients of Elxir Securities Pakistan (Pvt) Limited ("Elixir"), Broker/Trading Right Entitlement Certificate Holder of the Karachi Stock Exchange Limited ("KSE"), later termed as "the Foreign Clients".
4. The detailed analysis of trading by the Appellant was performed which signified the following facts:
 - (i) The Appellant was a day trader and squared his position by day end or by next day.
 - (ii) A significant portion of his trading was in correlation with the Foreign Clients where his trading completely or partially matched with the Foreign Clients.
 - (iii) On average 98% of trading by Aamir matched with the trading of Foreign Clients out of his total trading activity on the specific dates when the trading was in correlation with the Foreign Clients.
 - (iv) Scrutiny of order level data showed that Aamir used to place orders to trade in the shares of companies around the same time when the Foreign Clients were placing orders to purchase/sale shares of the same companies through Elixir.



Securities and Exchange Commission of Pakistan

- (v) A significant majority of trading in the account of Aamir was directly synchronized with the placement of orders and trading of Foreign Clients of Elixir which resulted in matching of transactions.

5. The scip-wise trading by the Appellant and the consequent profit earned is enumerated as follows:

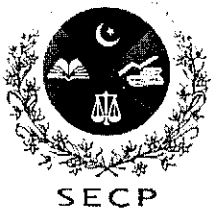
	Company Name	BOT- QTY (shares)	SOLD- QTY (shares)	Profit (Rs.)
1.	Engro Corporation Limited	71,000	71,000	68,759
2.	Fauji Fertilizer Bin Qasim Limited	50,000	50,000	23,810
3.	MCB Bank Limited	261,400	261,400	325,312
4.	National Bank of Pakistan	200,000	200,000	58,375
5.	National Refinery Limited	20,000	20,000	82,839
6.	Oil and Gas Development Company Limited	279,500	279,500	263,233
7.	Pakistan Petroleum Limited	10,000	10,000	9,900
8.	United Bank Limited	414,500	358,000	241,175
			TOTAL	1,073,403

6. Considering the nature of trading executed by the Appellant, the account details including account opening form, trading statement, financial ledger, copies of trading orders and details of receipts and payments of the Appellant were obtained from IIS vide letter dated 25/03/13, The information received from IIS further highlighted the following facts:



Securities and Exchange Commission of Pakistan

- (i) The Appellant had mentioned his relationship with Irfan Ismail (“IRF”) as brother who was KATS operator in Elixir and was responsible for the execution of the orders placed by the Foreign Clients during the Period.
 - (ii) The Appellant had authorized IRF to operate his trading account maintained with IIS.
 - (iii) The Appellant had nominated IRF to receive securities/cash in his trading account maintained with IIS.
 - (iv) The Appellant had mentioned email address of IRF in his contact details as his contact person.
 - (v) The confirmation statement for trading activity in the trading account of the Appellant was being sent to email address of IRF on daily basis. In addition to the information received from IIS, the identity details of the Appellant were also obtained from National Database and Registration Authority, which revealed that Aamir is the real brother of IRF.
7. The information related to the trading and order placement of the Foreign Clients was sought from Elixir vide letter dated 25/03/13. The requisite information comprised in name of official who received the orders for the Foreign Clients, name of official who executed the trades for the Foreign Clients, any other official/KATS operator who was aware/involved in the order placement/execution of the Foreign Clients on the given dates and the mode of placing orders by the Foreign Clients along with the dates and timing of the same. The information obtained from Elixir revealed that the Appellant was KATS operator in Elixir and was responsible for the execution of the orders placed by the Foreign Clients during the Period. Based on the aforesaid trading pattern of Aamir and its significant synchronization with trading of Foreign Clients of Elixir with the relationship of the Appellant with Aamir, prima facie, established that the Appellant, being an insider, by virtue of his position as KATS Operator at Elixir, had passed on/disclosed the inside information relating to trading orders received from Foreign Clients to Aamir, based on which Aamir indulged in insider trading.



Securities and Exchange Commission of Pakistan

8. Show Cause Notice (“SCN”) was issued to the Appellant to explain as to why action should not be taken against him under Section 15E (3) of the Securities and Exchange Ordinance, 1969 (the “Ordinance”). Hearing in the matter was held on 08/05/13. On the date of hearing the Chief Executive Officer (“CEO”) and Chief Operating Officer of Elixir appeared before the Respondent. The Appellant appeared at the Commission’s office but left without attending the hearing. The Appellant was given another opportunity to attend the hearing on 17/05/13. The Appellant attended the hearing but the same could not be held due to procedural issues. The Appellant was given a final opportunity to attend the hearing and to appear before the Commission’s Karachi office on 23/05/13. On the said date, the Appellant attended the hearing and made his submissions to the Respondent.
9. The Respondent dissatisfied with the response of the Appellant held that it is established that IRF was an insider by virtue of his position and employment at Elixir, where he used to receive material non-public information relating to trading orders of Foreign Clients of Elixir. It is further established that IRF provided information relating to trading orders of Foreign Clients to the Appellant. Subsequently, the Appellant indulged in insider trading in his account on the basis of inside information and earned significant amount of profit of approximately Rs. 1.073 million. In exercise of powers under section 15E (1) of the Ordinance, the Respondent imposed a fine of Rs. 1,100,000/- on the Appellant for contravention of section 15A(1) of the Ordinance.
10. The Appellant has preferred the appeal against the Impugned Order. The Appellant admitted his default at the hearing but said he is unable to pay the fine imposed by the Respondent. The Respondent reiterated their earlier stance in the Impugned Order.



Securities and Exchange Commission of Pakistan

11. The Appellant has admitted his default we see no reason to interfere with the Impugned Order. The appeal is dismissed with no order as to costs.

(Fida Hussain Samoo)
Commissioner (Insurance)

(Tahir Mahmood)
Commissioner (CLD)

Announced on: 22 JAN 2015