

**Before the Director (Market Supervision & Registration Department)
Securities Market Division
Securities and Exchange Commission of Pakistan**

**In the matter of Show Cause Notice Dated March 10, 2014 issued to
M/s. Javed Iqbal Securities (Private) Limited, Broker Lahore Stock Exchange Limited**

Date of Hearing: *March 20, 2014*

Present at the Hearing:

M/s. MJ Panni & Associates

*Authorized Representative of Javed Iqbal
Securities (Pvt.) Ltd.*

Assisting the Director (MSRD):

Ms. Asima Wajid

Deputy Director (MSRD)

ORDER

1. This Order shall dispose of the proceedings initiated through Show Cause Notice No. 4(BRL-12)SMD/SE/2001 dated March 10, 2014 (“SCN”) under Section 22 of the Securities and Exchange Ordinance, 1969 (“**the Ordinance**”) read with Rule 8 of the Brokers and Agents Registration Rules, 2001 (“**the Rules**”) issued to M/s. Javed Iqbal Securities (Private) Limited (“**the Respondent**”), Trading Right Entitlement Certificate Holder (“**TREC Holder**”) of the Lahore Stock Exchange Limited (“**LSE**”) and a broker registered with the Securities & Exchange Commission of Pakistan (“**the Commission**”) under the Rules.

2. Brief facts of the case are that M/s. Shaukat Shafi Securities (Pvt.) Ltd. (“**SSSPL**”), TREC Holder of LSE applied for registration as a broker under the Rules. In this regard, SSSPL provided experience certificates of its directors issued by the Respondent. On perusal, it was observed that *prima facie* the certificates provided by the Respondent contained fake and misleading information. Thereafter, the Commission served a SCN to the Respondent, the contents of which are reproduced below:-

**Subject: SHOW CAUSE NOTICE UNDER SECTION 22 OF THE SECURITIES AND EXCHANGE
ORDINANCE, 1969 READ WITH RULE 8 OF THE BROKERS AND AGENTS
REGISTRATION RULES, 2001**

WHEREAS, the Commission has received an application dated December 24, 2013 for grant of certificate of registration to M/s. Shaukat Shafi Securities (Pvt.) Limited as broker under the Broker and Agents Registration Rules, 2001 (“the Rules”) through Lahore Stock Exchange Limited (“LSE”).



2. *WHEREAS, while reviewing the said application, it has been observed that all three directors of the applicant have submitted their experience certificates dated May 15, 2013 issued by M/s. Javed Iqbal Securities (Pvt.) Ltd. ("JISPL") a Trading Right Entitlement holder of LSE and a broker registered with Commission under the Rules, wherein it has been stated that directors of the applicant i.e. Mian Shaukat Shafi, Mr. Usman Shafi and Mr. Umar Shafi have been working as Equity Trader at JISPL since the year 1983 and 2001 respectively.*

3. *WHEREAS, the Commission vide its letter dated January 10, 2014 advised the LSE to provide the list of employees of JISPL from January 2009 to date. The list of employees of JISPL provided to the Commission does not contain the names of aforesaid directors of the Shaukat Shafi Securities (Pvt.) Ltd.*

4. *WHEREAS, the Commission vide e-mail dated February 25, 2014 received an experience certificate dated January 31, 2014 issued by JISPL stating that:-*

"This is to certify that Mian Shaukat Shafi one of the Founder Member of LSE and the well-known industrialist has been maintaining an Account # 04283-18022, as investor with JISPL since 1982. He has been extensive stock market knowledge and has been involved in the trading of securities with the above mentioned account with JISPL as a investor.

Els to mention that Mr. Usman Shafi & Mr. Umar Shafi was maintaining Mian Shaukat Shafi account # 04283-18022 on his behalf and has lot of knowledge related to stock market."

5. *WHEREAS, it has been confirmed from the Stock Exchange trading data that the trading account of Mian Shaukat Shafi maintained with JISPL has been closed and no trading in the said account has ever been observed.*

6. *WHEREAS, it appears that JISPL has submitted an experience certificate containing fake/misleading information and prima facie JISPL has given information which it had reasonable cause to believe to be false or incorrect in material in violation of Section 18 of the Securities and Exchange Ordinance, 1969 ("the Ordinance") and Rule 8(viii) of the Rules.*

7. *WHEREAS, Section 18 of the Ordinance states:-*

"No person shall, in any document, paper, accounts, information or explanation which he is, by or under this Ordinance, required to furnish, or in any application made under this Ordinance, make any statement or give any information which he knows or has reasonable cause to believe to be false or incorrect in any material particular."

8. *WHEREAS, violation of Section 18 of the Ordinance invokes penalty under Section 22 of the Ordinance; which provides that:-*



“If any person refuses or fails to furnish any document, paper or information which he is required to furnish by or under this Ordinance; or refuses or fails to comply with any order or direction of the Commission made or issued under this Ordinance; or contravenes or otherwise fails to comply with the provisions of this Ordinance or any rules or regulations made thereunder, the Commission may, if it is satisfied after giving the person an opportunity of being heard that the refusal, failure or contravention was willful, by order direct that such person shall pay to the Commission by way of penalty such sum not exceeding fifty million rupees as may be specified in the order and, in the case of a continuing default, a further sum calculated at the rate of two hundred thousand rupees for every day after the issue of such order during which the refusal, failure or contravention continues.”

9. *WHEREAS, Rule 8 of the Rules provides that;\;-*

“...Where the Commission is of the opinion that a broker has furnished wrong or false information, the Commission may, if it considers necessary in the public interest so to do, by order in writing suspend the registration of a broker for such period as may be specified in the order or impose on a broker fine not exceeding one hundred thousand.”

10. *NOW THEREFORE, you are called upon to show cause in writing by March 17, 2014, as to why an action in terms of Section 22 of the Ordinance and/or Rule 8 of the Rules may not be initiated against JISPL for the apparent violations as indicated above. You are further directed to appear in person or through an authorized representative (with documentary proof of such authorization) before the undersigned, on March 20, 2014 at 10:30 a.m. at the SECP Head office at 9th Floor, NIC Building, Jinnah Avenue, Blue Area, Islamabad. You are advised to bring all relevant record in original, which you may consider necessary for your defense/clarification.*

*Sd/-
Hasnat Ahmad
Director*

3. On March 20, 2014, Authorized Representative of the Respondent appeared before the undersigned and submitted written reply to the SCN. The Respondent further requested the Commission to take a lenient view in the matter. In its written response, the Respondent stated that:-

“

1. *There appears to be some misunderstanding about the experience certificate issued by the Brokerage House to Mian Shaukat Shafi. It is clarified that in the certificate dated May 15, 2013, it has been stated that he was managing portfolio on behalf of the Brokerage House. This was due to drafting error and wanted to say that he was managing his own portfolio with the Brokerage House. This was an honest error and is regretted by the Brokerage House.*

2. *In the certificate dated January 30, 2014 it has been stated that Mian*

Shaukat Shafi has been maintaining an account with the Brokerage House as an investor since 1982. It has been further mentioned that he has been involved in the trading of securities. In our opinion there has been no ambiguity in these statements. We are pleased to enclose Mian Shaukat Shafi's CDC Accounts Balance Report as on 31.12.2013 which is sufficient evidence of maintenance of his portfolio (see Annexure).

3. *The "trading data" referred to by Lahore Stock Exchange referred to the fact that Mian Shaukat Shafi had stopped trading through the Brokerage House in December, 2009. Prior to that he has been trading through the Brokerage House since 1982.*
4. *The use of the term "Equity Trader" in the certificate dated May 15, 2013 implied that Mian Shaukat Shafi has been trading in shares through the Brokerage House as an investor. The certificate did not say that he has worked as an employee. The term "Equity Trader" has neither been defined in the law nor the term has been used in the relevant rules. It is a universal term used in the stock markets for those who trade on regular basis. Only the term "trader" has been defined in the Members' Agent's and Traders (Eligibility Standards) Rules, 2001 and the term "equity trader" has been used in complete difference context. If at all any broader connection is derivable from the meanings, than we would say that it was inadvertent and not willful.*

In light of the above submissions, it is apparent that no false/misstatement has been made by the Brokerage House in its certificates given to Mian Shaukat Shafi. As such no violation of any provision of neither Section 22 of the Securities and Exchange Ordinance, 1969 nor any rule of the Brokerage Agent registration Rules, 2001 have been committed. There has been a drafting error which is highly regretted. The clarifications and submissions may kindly be accepted and proceeding may kindly be dropped."

4. During the hearing it was clarified to the authorized representative of the Respondent, that three different experience certificates dated May 15, 2013, January 30, 2014 and March 7, 2014 have been submitted by the Respondent. All three certificates contain conflicting/misleading information regarding experience of the directors of SSSPL. In the first certificate dated May 15, 2013 it was stated that "he has been following regular market Research and managing portfolio on the behalf of our brokerage house". In the second certificate dated January 30, 2014 it was stated that Mian Shoukat Shafi has been maintaining an Account # 04283 as investor with us since 1982 and has been involved in the trading of securities with the above mentioned account with us as an investor". Moreover, Mr. Usman Shafi and Mr. Umar Shafi were maintaining Mian Shaukat Shafi's account on his behalf. Contrary to the first two certificates, the Respondent in its certificate dated March 7, 2014 stated that "account # 04283-18022 in the name of Mian Shaukat Shafi being an investor was closed since December 09, 2013". The Respondent in its written response to the SCN, further stated that Mian Shaukat Shafi had stopped trading through the Brokerage House in December 2009. In order to decide the matter on merit, the Respondent was again advised to clarify the conflicting statements highlighted above. Accordingly, the Respondent vide its letter dated

March 28, 2014 confirmed that the Account of Mr. Shafi was closed in December 2009 and also provided his account statement for the period 2003 to 2009.

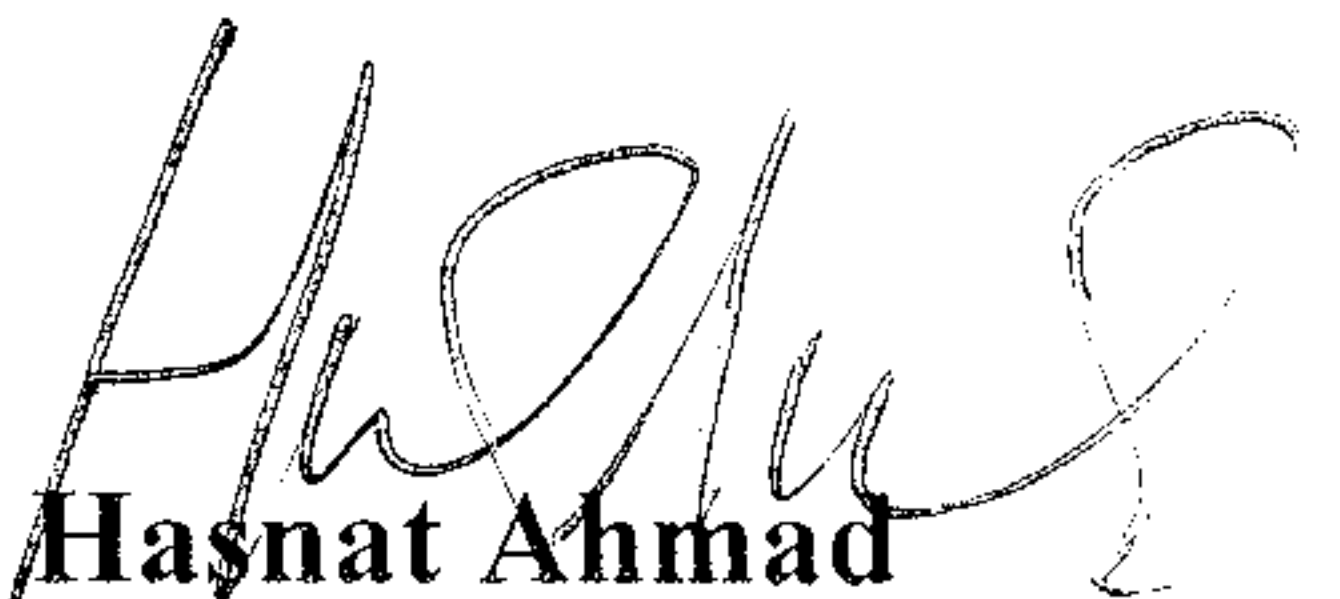
5. I have examined the facts, evidences and documents on record, in addition to the written and verbal submissions made on behalf of the Respondent. It is established that the Respondent has provided fake /misleading certificates/information regarding experience of the directors of SSSPL, which it had reasonable cause to believe to be false or incorrect in material in violation of Section 18 of the Ordinance. The violation of Section 18 of the Ordinance is a serious matter; which invokes penalty under Section 22 of the Ordinance. Further, wrong submission of the documents also attracts provisions of the Rules resulting to suspension of the Respondent. However, considering that the violation has been committed for the first time by the Respondent; I have opted to take a lenient view and have decided to impose a penalty amounting to Rs. 10,000 (Rupees Ten Thousand only) on account of violation of Section 18 of the Ordinance. The Respondent is strictly warned to abstain from giving any false/misleading information/ statement and/or certificate in future.

6. The matter is disposed of in the above manner and the Respondent is directed to deposit the penalty in the bank account of the Commission being maintained in the designated branches of MCB Bank Limited not later than thirty (30) days from the date of this Order and furnish copy of the deposit Challan to the undersigned.

7. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

**Announced on April 4, 2014
Islamabad.**




Haqmat Ahmad
Director (MSRD)