

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

**In the matter of Show Cause Notice Dated May 14, 2013 issued to
Intermarket Securities Limited, Broker Karachi Stock Exchange Limited**

Date of Hearing: May 22, 2013

Present at the Hearing: Azneem Bilwani (Chairman)

ORDER

1. This Order shall dispose of the proceedings initiated through Show Cause Notice No. 4(BRK-170)SE/SMD/03 dated May 14, 2013 (the “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 “Brokers Rules”) issued to M/s. Intermarket Securities Limited (the “Respondent”), TREC Holder of Karachi Stock Exchange Limited (the “KSE”) and a broker registered with the Securities & Exchange Commission of Pakistan (“the Commission”) under the Brokers Rules.

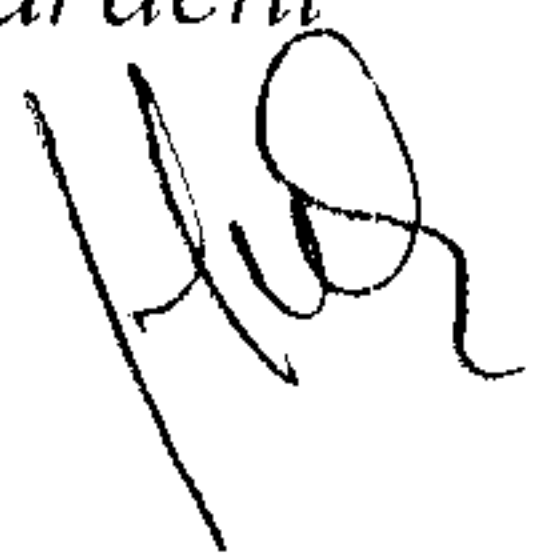
2. Brief facts of the case are that M/s. Peoples Financial Services (Private) Limited (“PFSL”) applied for registration as broker of the Pakistan Mercantile Exchange under the Commodity Exchange and Futures Contracts Rules, 2005. In this regard, PFSL provided an experience certificate issued by the Respondent. On perusal, it was observed that *prima facie* the certificate provided by the Respondent was fake. 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 received an application dated September 7, 2012 for grant of certificate of registration to M/s. Peoples Financial Services (Private) Limited as Broker under the Commodity Exchange and Futures Contracts Rules, 2005 (the “Rules”) through Pakistan Mercantile Exchange Limited.

2. *AND WHEREAS, while reviewing the said application, it was observed that the applicant submitted the experience certificate from M/s. Intermarket Securities Limited (the “ISL”) a Trading Right Entitlement Certificate holder of Karachi Stock Exchange Limited (“KSE”) and a broker registered under the Brokers and Agents Registration Rules, 2001 (the “BR Rules”), wherein it was stated that:-*

“This is to certify that Nisar Ahmed Shar Baloch s/o Ahmed Baksh Shar Baloch resident of House No. 201, Street # 26, Tauheed Commercial, Phase –V, DHA, Karachi



holding of CNIC Number 42301-0828577-3 has more than five years of experience in the field of trading of shares and securities of Karachi Stock Exchange Limited”

3. AND WHEREAS, ISL vide letter dated January 29, 2013 and February 25, 2013 further certified that Mr. Nisar Ahmed Shar Baloch was engaged in business of dealer with ISL from March 1, 2004 to June 30, 2010. However, KSE vide its email dated March 6, 2013 confirmed that as per record maintained by KSE, Mr. Baloch was never an employee of ISL.

4. AND WHEREAS, the Commission through its letter dated March 7, 2013 requested ISL to provide the supporting evidence to prove that Mr. Baloch was acting as a dealer with ISL. On this further probe, ISL responded through its letter dated March 14, 2013 that:-

“Mr. Nisar Ahmed Shar Baloch was regular visitor of dealing in shares trading of listed companies at stock exchange and he was not our employee nor at our payroll of the company”

5. AND WHEREAS, it appears that ISL has submitted a certificate containing fake/misleading information and prima facie ISL 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 BR Rules.

6. AND WHEREAS, Section 18 of 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.”

7. AND 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 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.”

8. AND WHEREAS, Rule 8 of Brokers 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..”

9. *NOW THEREFORE, you are hereby called upon to show cause in writing by May 20, 2013, as to why action as provided under Section 22 of the Ordinance and/or Rule 8 of the Brokers Rules may not be initiated against ISL for violation as indicated above. You are further directed to appear in person or through an authorized representative (with documentary proof of such authorization), on May 24, 2013 at 11:00 a.m. at the SECP Head office, 9th Floor, NIC Building, Blue Area, Islamabad. You are advised to bring all relevant record in original, which you may consider necessary for clarification or in your defense. This notice sufficiently discharges the Commission's obligation to afford ISL an opportunity of hearing in terms of Section 22 of the Ordinance and Rule 8 of the Brokers Rules. In case of your failure to appear on the stated date of hearing it will be deemed that ISL has nothing to say in its defense and the matter will be decided ex-parte on the basis of available record.*

10. *Please note that this show cause is being issued without prejudice to any action, which may be taken or warranted for the above said or any other default under the above referred or any other provisions of law. Kindly acknowledge receipt of this show cause notice through return fax or courier at your earliest.*

Sd/-

*Hasnat Ahmad
Director*

3. Thereafter, the hearing fixed for May 24, 2013 was held on May 22, 2013 on the request of the Respondent. During the hearing, the Respondent apologized for the unintentional act and assured that *such act would not be repeated in future*. The Respondent further requested the Commission to take a lenient view in the matter. In its written response, the Respondent stated that:-

“the experience certificate was issued by our Chief Operating Officer in a good faith since Mr. Baloch was a frequent visitor and our COO was under a bonafide impression that Mr. Baloch did have more than five years' experience in the field of trading of shares and securities of Karachi Stock Exchange... Mr. Baloch used to visit regularly and in that context the certificate was issued by our COO, reflecting his personal views on Mr. Baloch. The Commission may please rest assured that it was never an intention of ISL or our COO to furnish any wrong or false information...However, the management has taken this matter very seriously and instructed ISL's officers and employees not to issue letters and certificates in relations to the credentials of other people.”

4. 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 certificate provided by the Respondent was fake and misleading. 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 documents also attracts the provisions of Brokers Rules relating to suspension. However, considering that the violation was committed for the first time and apparently not willful; I have opted to take a lenient view on the subject matter and have decided not to impose penalty as provided. The Respondent is, however, strictly warned to abstain from giving any false/misleading information/ statement and/or certificate in future.

5. 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. The matter is being disposed of.


Hasnat Ahmad
Director (MSRD)

Announced on May 31, 2013
Islamabad.

