

SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Market Supervision & Registration Department

Before the Director/HOD(MSRD)

In the matter of Show Cause Notice issued to ACE Securities (Private) Limited,
Broker/TREC holder of Karachi Stock Exchange Limited

Date of Hearing:

May 16, 2013

Present at the Hearing:

Representing the ACE Securities (Private) Limited:

- | | |
|----------------------------|--------------------|
| (i) Mr. Muhammad Asif Alam | Manager Settlement |
| (ii) Mr. Jabran A. Sattar | Assistant |
| (iii) Mr. Gul Khan | Assistant |

Assisting the Director/HOD (MSRD):

- | | |
|-------------------------------|--------------------|
| (i) Mr. Muhammad Tanveer Alam | Joint Director |
| (ii) Mr. Mohammad Tanweer | Deputy Director |
| (iii) Mr. Kapeel Dev | Assistant Director |

ORDER

1. This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan ("**the Commission**") under Section 22 of the Securities and Exchange Ordinance, 1969 ("**the Ordinance**") and Rule 8 of the Brokers and Agents Registration Rules, 2001 ("**the Brokers Rules**") through Show Cause Notice bearing No. SMD-/MSRD-C&IW/10-1(62)/2013 dated March 27, 2013 ("**the SCN**") issued to ACE Securities (Private) Limited ("**the Respondent**"), Trading Right Entitlement Certificate ("**TREC**") holder of Karachi Stock Exchange Limited ("**KSE**") and registered as a broker with the Commission under the Brokers Rules.

2. The brief facts of the case are that the Commission in exercise of the powers under Sub Section (1) of Section 6 of the Ordinance and Rule 04 of Stock Exchange Members (Inspection of Books and Record) Rules, 2001 (**“the Inspection Rules”**), vide Order No. SMD-/MS&CID-C&IW/10-1(13)/2013 dated January 16, 2013 appointed the following two officers of the Commission as inspectors to conduct inspection of books of accounts and other documents required to be maintained by the Respondent under the Ordinance:

- i. Mr. Mohammad Tanweer Deputy Director
- ii. Mr. Kapeel Dev Assistant Director

(hereinafter referred to as **“Inspectors”**)

3. During the course of subject Inspection, it was noted that the Respondent did not cooperate with the Inspectors by not providing essential information /documents/details/explanations/clarifications, as required by the Inspectors. The aforesaid noncooperation placed significant limitation over the Inspectors’ abilities to perform their work relating to inspection of books and records of the Respondent to ensure compliance status with applicable Regulatory Framework.
4. In view of non-provision of information, the inspection team advised the Respondent vide letters dated February 27, 2013, March 6, 2013 and through several telephonic calls to provide information / documents / explanations. Due to continues lack of cooperation on the part of the Respondent, the inspection team issued final letter dated March 12, 2013 with direction to provide information and necessary record for the purpose of said inspection on or before March 15, 2013. However, the Respondent failed to provide essential information/documents/details as required by the inspection team.
5. The non provision of the information inspite of the Commission’s various letters and through telephone calls, clearly showed that the Respondent had failed to cooperate with the Inspectors during the inspection initiated by the Commission. In view thereof, a SCN dated March 27, 2013 was issued to the Respondent under Section 22 of the Ordinance stating that the Respondent has prima facie contravened the provisions of sub-section 3 of Section 6 of the Ordinance and Rule 8(x) of the Brokers Rules.

6. The Respondent was asked to submit a written reply to the SCN within ten days to the date of SCN and its Chief Executive Officer was also required to appear in person or through an authorized representative before the undersigned at Commission's Islamabad Office on April 10, 2013, for a hearing. The Respondent through letter dated April 04, 2013 submitted written reply and requested to change the venue of hearing. Subsequently, the venue of hearing was changed on the Respondent's request from Islamabad to Karachi and the hearing was held at Commission's Karachi Office on May 16, 2013. The hearing was attended by Mr. Mohammad Asif Alam, Mr. Jabran A. Sattar and Mr. Gul Khan ("**the Representatives of the Respondent**") on behalf of the Respondent.
7. The Representatives of the Respondent, during the course of hearing, made the following submissions:-
- (i) The Representatives stated that delay was not intentional and assured to provide all the requisite information/details and promised to extend full cooperation to the inspection team.
 - (ii) The Representatives further prayed that the Commission may take lenient view in this matter and drop the proceedings because the delay in providing the required information/details is unintentional.
8. In order to clarify the matter, the essential information/documents as required by the Inspection Team were again specified during hearing to the Representatives of the Respondent which include soft copies of ledger accounts of all clients of the Respondent pertaining to the review period of inspection (July 1, 2011 to June 30, 2012) as same were not provided to the inspection team till the date of hearing. Moreover, it was also clarified to the Representatives of the Respondent regarding their assertion to the Commission vide their letter dated April 4, 2013 that all information has been provided which was not correct. During hearing the Representatives assured the Commission that the requisite information/details will be provided by May 20, 2013. Subsequently on May 20, 2013, the Respondent provided soft copies of ledger account for the month of June 2012 pertaining to 12 clients only. The Respondent was reminded to provide soft copies of ledger accounts of all clients pertaining to the review period of inspection. In response



thereof, on May 22, 2013, the Respondent provided ledger accounts of clients for the month of June 2012 only. In this connection, the Respondent was again requested to provide the complete information as required. Subsequently on May 31, 2013 the Respondent submitted ledger accounts of 37 clients only for the period from July 01, 2011 to June 30, 2012. Since the date of hearing till the date of this Order, various requests were made by the Commission to the Respondent to provide the required information. However, it is disappointed to note that inspite of repeated request of the Commission the Respondent has not yet provided the complete required information.

9. Non-provision of required information / documents is the violation of Rules and Regulations and is a serious matter as provided in Sub-section 3 of Section 6 of the Ordinance and Rule 8 of the Brokers Rules.

Sub-section 3 of Section 6 of the Ordinance provides that:

“...every Exchange and every director, officer or member thereof shall furnish such documents, information or explanation relating to the affairs of the Exchange or, as the case may be, relating to the business on the Exchange of such director, officer or member as the Commission may, at any time, by order in writing require.”

Rule 8 of the Brokers Rules provides that:

“...Where the Commission is of the opinion that a broker has not co-operated in any enquiry or inspection conducted by the Commission, 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 rupees.”

10. Section 22 of the Ordinance 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.”

11. In view of failure of Respondent to provide the required information and documents which placed restrictions to perform the inspection work initiated by the Commission and despite being afforded numerous opportunities to ensure compliance, it is established that Respondent has violated Rule 8 (x) of Brokers Rules and has failed to comply with the requirements of the code of conduct laid down in the Third Schedule of the Brokers Rules. The violation of the Rules and Regulations is a serious matter which entitles the Commission to even suspend the registration of the Respondent but I have elected not to exercise this power at present. However, taking a lenient view in the matter, in exercise of the powers under Section 22 of the Ordinance, I hereby impose on the Respondent a penalty of Rs. 100,000/= (Rupees One Hundred Thousand only).
12. The matter is disposed of in the above manner and the Respondent is directed to deposit the fine in the 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 the copy of the deposit challan to the undersigned.
13. I strongly advise the Respondent to take immediate measures to provide the required information and documents on immediate basis to perform and complete the inspection work initiated by the Commission. I also strongly direct the Respondent to fully cooperate and comply with the directions of the Commission in letter and spirit.
14. The Order is issued without prejudice to any or all actions that the Commission may initiate under the law against the Respondent and it's directors, officers or any other



person on the matters subsequently investigated or otherwise brought to the knowledge of the Commission.


Imran Inayat Butt
Director/HOD (MSRD)

Announced on June 04, 2013
Islamabad.

