



Through Courier

Before The Director (Market Supervision & Registration Department)

In the matter of Show Cause Notice issued to Mr. Aamir

Under Section 15E of the Securities & Exchange Ordinance, 1969

Date of Hearing:

(i) May 08, 2013

(ii) May 23, 2013

Present at Hearing:

Mr. Aamir

The Respondent

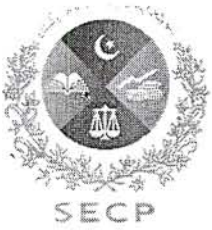
Assisting the Director (MSRD)

Ms. Tayyaba Nisar

Assistant Director

ORDER

- 1 This Order shall dispose of the proceedings initiated through Show Cause Notice (“SCN”) bearing No. 1(14)ISMAILIQBAL/MSW/SMD/2013/01 dated April 23, 2013 under Section 15E of the Securities & Exchange Ordinance, 1969 (“**the Ordinance**”) issued by the Securities and Exchange Commission of Pakistan (“**the Commission**”) to Mr. Aamir (“**the Respondent**”).
- 2 On perusal of trading data of Karachi Automated Trading System of Karachi Stock Exchange (Guarantee) Limited (“**KSE**”), it was observed that the Respondent traded extensively in shares of a number of companies. It was further noted that the trading by the Respondent was conducted through Ismail Iqbal Securities (Pvt) Limited (“**IIS**”), Broker/Trading Right Entitlement Certificate Holder of the Karachi Stock Exchange Limited (“**KSE**”).
- 3 The examination of trading data revealed that the Respondent traded in his brokerage account maintained with IIS from May 01, 2012 till April 17, 2013 (“**the Period**”). The analysis of trading pattern of the Respondent during the Period indicated that his trading was carried out significantly in correlation with the trading of the Foreign clients of Elixir Securities Pakistan



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(Pvt) Limited (“Elixir”), Broker/ Trading Right Entitlement Certificate Holder of the KSE later termed as “the Foreign Clients”.

4 The detailed analysis of trading by the Respondent was performed which signified the following facts:

- (i) The Respondent was a day trader and squared his position by day end or by next day.
- (ii) A significant portion of trading by the Respondent was in correlation with the Foreign Clients of Elixir where his trading completely or partially matched with the Foreign Clients.
- (iii) On average 98% of trading by the Respondent matched with the trading of Foreign Clients out of his total trading activity on the specific dates when his trading was in correlation with the Foreign Clients.
- (iv) Scrutiny of order level data showed that the Respondent 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.
- (v) A significant majority of trading in the account of the Respondent was directly synchronized with the placement of orders and trading of Foreign Clients of Elixir which resulted in matching of transactions

5 The scrip-wise trading by the Respondent and the consequent profit earned is enumerated in the Table - 1 below:

Table - 1

Sr.	Company Name	BOT_QTY	SOLD_QTY	Profit (Rs.)
1	Engro Corporation Limited	71,100	71,100	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 & 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



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- 6 The information related to the trading and order placement of the Foreign Clients was sought from Elixir vide letter dated March 25, 2013. The requisite information comprised of 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 Irfan Ismail (“**IRF**”) was KATS operator in Elixir and was responsible for the execution of the orders placed by the Foreign Clients during the Period.
- 7 Considering the nature of trading executed by the Respondent, the account details including account opening form, trading statement, financial ledger, copies of trading orders and details of receipts and payments of the Respondent were obtained from IIS vide letter dated March 25, 2013. The information received from IIS further indicated the following facts:
- (i) The Respondent mentioned his relationship with IRF as **brother**.
 - (ii) The Respondent had authorized IRF to operate his trading account maintained with IIS.
 - (iii) The Respondent had nominated IRF to receive securities/ cash in his trading account maintained with IIS.
 - (iv) The Respondent 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 Respondent was being sent to email address of IRF on daily basis.
 - (vi) The payments made by IIS to the Respondent were being directly credited in his bank account.

In addition to the information received from IIS, the identity details of the Respondent were also obtained from National Database and Registration Authority, which revealed that the Respondent is real brother of IRF.

- 8 Based on the aforesaid trading pattern of the Respondent and its significant synchronization with trading of Foreign Clients of Elixir along with relationship of the Respondent with IRF, *prima facie*, established that IRF, being an insider, by virtue of his position as KATS



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Operator at Elixir, had passed on/disclosed the inside information relating to trading orders received from Foreign Clients to the Respondent, based on which he indulged in insider trading. Consequently, SCN was issued to the Respondent to explain as to why action should not be taken against him under Section 15E of the Ordinance. The Respondent was required to appear in person or through an authorized representative before the undersigned at the Commission's Head Office on May 08, 2013 for a hearing.

- 9 On the date of hearing the Respondent did not appear at the Commission's Office. Subsequently, the Respondent was given another opportunity of hearing vide letter dated May 09, 2013, vide which he was required to appear on May 17, 2013 at the Commission's Office at 5th Floor, State Life Building # 2, Wallace Road, Karachi. The Respondent came to attend the hearing on May 17, 2013, however, the same could not be held due to some procedural issues.
- 10 Consequently, the Respondent was given third opportunity to attend the hearing and he was required to appear at the Commission's Karachi Office on May 23, 2013.
- 11 On the date of the hearing the Respondent appeared before the undersigned and made the following verbal submissions:

- (a) *The Respondent admitted that he was operating in collaboration with IRF, who was following the orders of the Clients of Elixir which were provided to him for execution and the Respondent used this information to execute trading in his account.*
- (b) *The Respondent asserted that he was not aware that trading in such a manner is a violation of Rules and Regulations. He submitted that he had no idea regarding illegality of nature of the offense and consequences of such type of transactions.*
- (c) *The Respondent apprised that his family was going through very difficult circumstances. He submitted that he belongs to a very poor family and resided in area of Karachi where law and order situation was worsened.*
- (d) *He submitted that due to his severe domestic problems and financial crisis the Respondent with the assistance of IRF indulged in the offence of Front Running of clients of Elixir and utilized the profit realized through the transactions in*



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question to make the remaining payment of the flats in which currently his family is residing.

(e) He admitted his offence and assured that he would refrain from indulging in all such actions in the future.

(f) The Respondent prayed that a lenient view may be taken in the matter due to their domestic and financial circumstances.

12 I have examined the facts, evidences and documents on record, in addition to verbal submissions of the Respondent. 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 Respondent. Subsequently, the Respondent indulged in insider trading in his account on the basis of the inside information and earned significant amount of profit of approximately Rs. 1.073 million.

13 In view of the apologetic submission of his offense, the extent of remorse experienced by the him, personal circumstances of the Respondent and the hardships bore by his family, due consideration to the prayer of the Respondent has been made and a lenient view in the matter has been taken. Therefore, in exercise of powers under Section 15E (1) of the Ordinance, I hereby impose on the Respondent a fine of Rs. 1,100,000/- (Rupees Eleven Lakh Only) for contravention of sub-section (1) of Section 15A of the Ordinance.

14 In the similar measure, the Commission has also taken enforcement action against Mr. Irfan Ismail and has imposed fine on him for passing on/disclosing inside information pertaining to trading orders of Foreign Clients to the Respondent under Section 15E (3) of the Ordinance.

15 This matter is disposed of in the above manner and the Respondent is directed to deposit the fine as mentioned in paragraph 13 above 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.



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



(Imran Inayat Butt)
Director/HOD (MSRD)

Announced on June 17, 2013
Islamabad.