



Securities and Exchange Commission of Pakistan
Securities Market Division
(Market Supervision and Registration Department)

Through Courier

Before The Director / HOD (MSRD) in the matter of Show Cause Notice issued to
Fairtrade Capital Securities (Pvt.) Limited, through its Chief Executive Officer

Date of Hearing:

June 20, 2013

Present at the Hearing:

Representing Fairtrade Capital Securities (Pvt.) Limited

(i) Mr. Kamran Shehzad

Head of Compliance

Assisting the Director / HOD (MSRD)

(i) Mr. Muhammad Ali

Deputy Director

ORDER

1. This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. MISC/MSW/SMD/1(5)/2004/1738 ("SCN") dated June 07, 2013 issued to Fairtrade Capital Securities (Pvt.) Limited ("the Respondent") by the Securities and Exchange Commission of Pakistan ("Commission") under Section 22 of the Securities and Exchange Ordinance, 1969 ("Ordinance") read with Brokers and Agents Registration Rules, 2001 ("Brokers Rules").

2. Brief facts of the case are that the Respondent is a Trading Right Entitlement Certificate Holder of Karachi Stock Exchange Limited ("KSE") and is registered with the Commission under the Brokers Rules. On November 26, 2010 the Commission passed an Order under the Ordinance against the Respondent and imposed a penalty of Rs. 50,000/- (Rupees Fifty Thousand Only). The Respondent was directed to deposit this amount in the account of the Commission not later than 30 days from the date of the Order and furnish a copy of the deposit challan to the Commission.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
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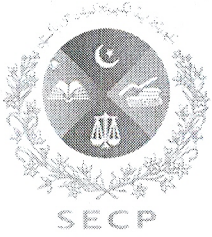
Continuation Sheet - 1 -

3. The Respondent filed an appeal against the above-mentioned Order before the Appellate Bench in terms of Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "Act"). The Appellate Bench vide Order dated January 17, 2013 dismissed the appeal of the Respondent and upheld the Order dated November 26, 2010.

4. The Respondent was advised by the Commission vide letter dated April 10, 2013 to submit the amount of the penalty, in response to which the Respondent vide letter dated April 16, 2013 informed that the penalty amount has already been deposited and copy of challan form cannot be provided as it was lost. The Commission vide letter dated April 22, 2013 again requested the Respondent to immediately submit the copy of challan form. Subsequently, the Respondent vide letter dated April 26, 2013 reiterated its stance and requested for more time to search the copy of challan form. The Commission vide letter dated May 22, 2013 again advised the Respondent to submit the copy of challan form, failing which the Commission would proceed in the subject matter in accordance with the relevant provisions of law. However, no reply from Respondent was received in response to aforementioned letter.

5. Consequently, a SCN dated June 07, 2013 was issued to the Respondent under Section 22 of the Ordinance and the Brokers Rules stating that the Respondent has prima facie contravened Clause D (2) of the Code of Conduct set forth under the third schedule of the Brokers Rules. The Respondent through SCN was asked to explain its position through written reply within ten days of issuance of SCN and also required to appear in person or through an authorized representative before the undersigned at Commission's Head Office, Islamabad on June 20, 2013.

6. The Respondent vide letter dated June 12, 2013 submitted its response to the SCN. According to the Respondent the penalty amount was already paid by it but copy of challan form was lost. However, after in-depth search of the record, the copy of the challan form has been found and the same was provided to the Commission along the written reply of the SCN. Further, the Respondent requested that the requisite information has been provided and now the Commission kindly withdraw the SCN because delay in providing the information was not intentional. Moreover, the Respondent requested that it should be exempted from appearing in the hearing through person or representative before the Commission.



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

Continuation Sheet - 2 -

7. The request of the Respondent was not acceded to and the hearing in the matter was held on June 20, 2013. Mr. Kamran Shehzad (“the Representative”) appeared on behalf of the Respondent and participated through Video Conference from Commission’s Lahore Office. The Representative made the following submissions during the course of hearing and proceedings of the hearing are summarized as under:

i) The Representative stated that the penalty amount was deposited by the Respondent on December 24, 2010. He further informed that the information sought by the Commission was more than 2 years old and was hard to find and as soon as the Respondent found the copy of challan form the same was provided to the Commission.

ii) The Representative was asked why Respondent filed appeal against the Order dated November 26, 2010 if the amount of penalty was deposited by it. The Representative replied that the lawyer of the Respondent in 2010 suggested to file an appeal against the Order and also to submit the amount of the penalty as he was of the view that amount will be reimbursed to the Respondent in case the Appellate Bench award Order in favor of the Respondent.

iii) The Representative was inquired why the Respondent did not appear in Appellant Bench hearings and ex-party decision was made by the Appellant Bench. The Representative apprised that matter was referred to Respondent’s lawyer and he failed to properly handle the case.

iv) The Representative was further asked why Respondent failed to provide the copy of challan form even after repeated reminders by the Commission. The Representative stated that the delay was caused because challan form was pertaining to year 2010 and Respondent has two offices, one in Karachi and other in Lahore, and the record is simultaneously maintained in both the offices.



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

Continuation Sheet - 3 -

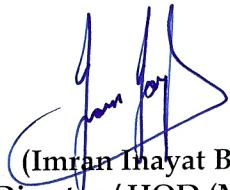
v) At the end, the Representative prayed that delay in the providing of information was not intentional, therefore, the Commission may take a lenient view in the matter.

8. Based on the contentions submitted in the written reply by Respondent and the arguments made by the Representative on behalf of Respondent during the course of hearing, it is clear that Respondent failed to provide the desired information after the repeated reminders and thus contravened clause D (2) of the Code of Conduct set forth under the third schedule of the Brokers Rules.

9. The conduct of the Respondent of flagrant contravention of the direction of the Commission is appalling and concerning. A broker holding a certificate of registration has to all times abide by the Code of Conduct specified in the Brokers Rules. It is the duty of each and every market participant to comply with the general and specific directions issued by the Commission.

10. The violation of the Rules and Regulations is serious matter. However, on this occasion taking a lenient view, the Respondent is strictly warned to comply with the directions of the Commission in future failing which appropriate action will be taken. I further direct the Respondent to ensure that full compliance be made of all rules, regulations and directives of the Commission in the future for avoiding any punitive action under the law.




(Imran Inayat Butt)
Director / HOD (MSRD)

Announced on June 28, 2013
Islamabad.