



SECURITIES & 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 D.J.M. Securities (Pvt) Limited

Date of Hearing:

September 24, 2013

Present at the Hearing:

Representing D.J.M. Securities (Private) Limited

(i) Mr. Dawood Jan Muhammad

Chief Executive Officer

(ii) Mr. Ghani

Head of Operations

Assisting the Director/HOD (MSRD)

(i) Mr. Muhammad Tarveer Alam

Joint Director

(ii) Mr. Kashif Ali

Deputy Director

(iii) Mr. Adnan Ahmed

Deputy Director

ORDER

1. This Order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(1) SMD/MSRD/C&IW dated September 3, 2013 ("SCN") served to D.J.M. Securities (Private) Limited ("Respondent"), Trading Right Entitlement Certificate Holder/Broker of the Karachi Stock Exchange Limited ("KSE") by the Securities and Exchange Commission of Pakistan ("Commission") under Section 22 of the Securities and Exchange Ordinance, 1969 ("Ordinance") read with Rule 8 of the Brokers and Agents Registration Rules, 2001 ("Brokers Rules").

2. Brief facts of the case are that the Commission in exercise of its powers under Sub-section (1) of Section 6 of the Ordinance read with Rule 3 and Rule 4 of the Stock Exchange



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Members (Inspection of Books and Record) Rules, 2001 ("Inspection Rules") ordered an inspection of the books and records required to be maintained by the Respondent. The following officers of the Commission were appointed as inspectors ("Inspection Team") for the purpose vide Order dated June 04, 2013:

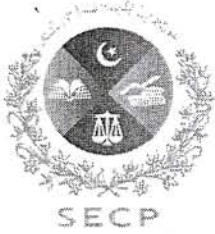
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|------------------|--------------------|
| i). Kashif Ali | Deputy Director |
| ii). Adnan Ahmed | Deputy Director |
| iii). Kapeel Dev | Assistant Director |

3. The Inspection Team submitted an interim inspection report on September 2, 2013 communicating that the Respondent has not cooperated with the inspectors in providing requisite information, documents and clarifications as required under said provisions of law, which placed a significant limitation over the scope of inspection. Accordingly, the Commission served the aforesaid SCN. Hearing in the matter was scheduled for September 17, 2013.

4. The Respondent vide letter dated September 17, 2013 requested for extension in the date of hearing. Acceding to the request of the Respondent, hearing was scheduled for September 24, 2013. Mr. Dawood Jan Muhammad, Chief Executive Officer of the Respondent and Mr. Ghani, Head of operations of the Respondent ("Representatives") attended hearing on behalf of the Respondent.

5. The Respondent submitted its written response vide letter dated September 4, 2013 wherein it stated that it has shared/submitted all the requisite documents, clarification and information as required by the Inspection Team except general ledgers, working of Net Capital Balance ("NCB") and KYC and CDD checklist.

6. During the course of hearing, the Representatives of the Respondent were required to clarify Respondent's position. The Representatives of the Respondent reiterated the stance already submitted through written reply. Moreover, they committed to provide the following



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outstanding information/details immediately relating to the year ended December 31, 2012 to the Inspection Team:

- i). Complete General Ledgers other than those which have already been provided
- ii). Complete Clients' Ledgers other than those which have already been provided

7. The Representatives of the Respondent during the course of hearing agreed to provide the information for completion of inspection. However, the same was not provided as agreed. Accordingly, the Commission vide letter dated October 8, 2013 strictly advised the Respondent to provide complete information by October 14, 2013 as till date it has provided ledger statements of only few of its clients.

8. The Respondent, vide letter dated October 14, 2013, communicated that it has provided all the documents as was required and shall assist the Inspection Team in completion of the inspection as was agreed by the Representatives of the Respondent during the course of hearing held on September 24, 2013. The Respondent, in fact, did not provide the complete outstanding ledger statements as asserted by it vide letter dated October 14, 2013. The Commission vide email dated October 29, 2013 reminded them to provide all outstanding ledgers statements. Thereafter, the Respondent provided the same through e-mail dated October 30, 2013.

9. Based on the contentions submitted in the written reply by Respondent, the arguments made by the Representatives of the Respondent during the course of hearing and subsequent correspondence exchanged with the Respondent, it is established that Respondent in spite of numerous opportunities, has failed to provide the information/documents/details required by the Inspection Team in a timely manner, which placed restrictions on the ability of the Inspection team to perform the inspection initiated by the Commission.

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



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Sub-section (3) of the 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 requires."

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."

11. Section 22 of the Ordinance provides that:

".... If any person refuses or fails to furnish nay 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 any rules or regulation 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."

12. The violation of the Rules and Regulations is a serious matter which entitles the Commission to even suspend the registration of the Respondent. However, taking a lenient view in the matter, in exercises 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).

13. 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



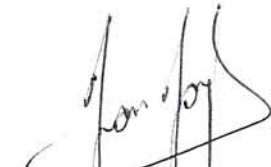
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branches of MCB Bank Limited not later than thirty (30) days from the date of this Order and furnish a copy of the deposit challan to the undersigned.

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




(Imran Inayat Butt)
Director/HOD (MSRD)

Announced on November 20, 2013
Islamabad.