



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

(Securities Market Division)

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Before The Director (Securities Market Division)

In the matter of Show Cause Notice issued to

Azee Securities (Pvt.) Limited

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Date of Hearing:

January 13, 2010

Present at the Hearing:

Representing the Azee Securities (Pvt.) Limited

(i) Mr. Ghazi Naseem

Director

Assisting the Director (SMD)

(i) Mr. Waqar Ahmad Siddiqui

Joint Director

(ii) Mr. Kapeel Dev

Assistant Director

**ORDER**

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1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(07) BS/KSE/MSW/SMD/2009 dated December 09, 2009 ("the SCN") issued to Azee Securities (Pvt.) Limited ("the Respondent"), Member of the Karachi Stock Exchange (Guarantee) Limited ("KSE") 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").
2. The brief facts of the case are that the Respondent is a member of KSE and is registered with the Commission under the Brokers Rules. On perusal of the trading data of the KSE for the period from July 2009 to October 2009, it was noted that the different clients of the Respondent namely Abdul Ghaffar, Syed Arif Raza, Karam Noor, Mansoor Khalil, Murtaza Ali, Muhammad Salim Mukaty, Muhammad Hanif, Rubina Shaheen, Syed Adeel Raza, Muhammad Arif, Nadeem Ahmed, Muhammad Zaid, Muhammad Arif Paracha, Muhammad Shoaib, Aamir Baig and Aamir Ashiq Dewan first sold and then squared up



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their positions in different scrips. The month wise details of such transactions for the above-mentioned period are given hereunder:

July 2009

<i>Date</i>	<i>Name</i>	<i>Scrip Code</i>	<i>Share Sale</i>
6-Jul-09	Abdul Ghafoor	AHSL	(95,400)
2-Jul-09	Syed Arif Raza	DGKC	(30,800)
22-Jul-09	Karam Noor	AHSL	(40,000)
6-Jul-09	Mansoor Khalil	BAFL	(30,000)
2-Jul-09	Murtaza Ali	NIB	(47,500)
15-Jul-09	M Salim Mukaty	BOP	(79,700)
1-Jul-09	M Salim Mukat	NIB	(72,000)
16-Jul-09	M Salim Mukaty	NML	(30,400)
2-Jul-09	Muhammad Hanif	FFBL	(60,000)
7-Jul-09	Muhammad Hanif	OGDC	(25,000)
14-Jul-09	Rubina Shaheen	ANL	(22,000)
15-Jul-09	Rubina Shaheen	ANL	(24,000)
16-Jul-09	Rubina Shaheen	ANL	(13,500)
17-Jul-09	Rubina Shaheen	ANL	(20,000)
20-Jul-09	Rubina Shaheen	ANL	(90,000)
21-Jul-09	Rubina Shaheen	ANL	(25,721)
23-Jul-09	Rubina Shaheen	ANL	(28,715)
27-Jul-09	Rubina Shaheen	EPCL	(200,621)
13-Jul-09	Rubina Shaheen	JSCL	(72,400)
13-Jul-09	Rubina Shaheen	NIB	(200,000)
21-Jul-09	Rubina Shaheen	NIB	(43,500)
13-Jul-09	Rubina Shaheen	NML	(10,900)
			<u>(1,262,157)</u>

August 2009

<i>Date</i>	<i>Name</i>	<i>Scrip Code</i>	<i>Share Sale</i>
10-Aug-09	Syed Adeel Raza	AICL	(43,000)
17-Aug-09	Syed Adeel Raza	HUBC	(27,619)
18-Aug-09	Syed Adeel Raza	HUBC	(28,589)
11-Aug-09	Syed Adeel Raza	LUCK	(74,465)
25-Aug-09	Syed Adeel Raza	LUCK	(86,530)
31-Aug-09	Syed Adeel Raza	LUCK	(43,625)



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25-Aug-09	Syed Adeel Raza	PTC	(32,000)
26-Aug-09	Syed Adeel Raza	PTC	(54,000)
27-Aug-09	Syed Adeel Raza	PTC	(50,000)
28-Aug-09	Syed Adeel Raza	PTC	(24,000)
6-Aug-09	Syed Muhammad Arif	BAFL	(36,637)
13-Aug-09	Syed Muhammad Arif	DGKC	(29,775)
3-Aug-09	Syed Muhammad Arif	POL	(47,705)
4-Aug-09	Rubina Shaheen	NIB	(36,713)
10-Aug-09	Rubina Shaheen	NIB	(49,900)
17-Aug-09	Rubina Shaheen	NIB	(19,370)
31-Aug-09	Rubina Shaheen	NIB	(92,500)
5-Aug-09	Rafaqat Aziz	FCCL	(50,000)
26-Aug-09	Nadeem Ahmed	BAFL	(28,879)
26-Aug-09	Nadeem Ahmed	PTC	(44,000)
3-Aug-09	Muhammad Zaid	PTC	(32,899)
4-Aug-09	Muhammad Zaid	PTC	(25,000)
6-Aug-09	Muhammad Zaid	PTC	(38,352)
10-Aug-09	Muhammad Zaid	PTC	(28,500)
17-Aug-09	Muhammad Zaid	PTC	(25,500)
18-Aug-09	Muhammad Zaid	PTC	(49,886)
19-Aug-09	Muhammad Zaid	PTC	(20,000)
6-Aug-09	M Arif Paracha	TRG	(32,650)
			<b>(1,152,094)</b>

**September 2009**

<i>Date</i>	<i>Name</i>	<i>Script Code</i>	<i>Share Sale</i>
18-Sep-09	Syed Adeel Raza	BAFL	(110,562)
24-Sep-09	Syed Adeel Raza	BAFL	(53,798)
25-Sep-09	Syed Adeel Raza	BAFL	(60,000)
8-Sep-09	Syed Adeel Raza	HUBC	(50,919)
24-Sep-09	Syed Adeel Raza	LUCK	(30,700)
18-Sep-09	Syed Adeel Raza	PTC	(154,200)
8-Sep-09	Syed Adeel Raza	NML	(66,300)
24-Sep-09	Muhammad Zaid	PIOC	(30,000)
24-Sep-09	Nadeem Ahmed	AHBL	(19,700)
24-Sep-09	Nadeem Ahmed	AHSL	(61,400)



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18-Sep-09	Nadeem Ahmed	AKBL	(23,345)
16-Sep-09	Nadeem Ahmed	ANL	(25,000)
24-Sep-09	Nadeem Ahmed	ATRL	(20,645)
24-Sep-09	Nadeem Ahmed	BAFL	(52,800)
25-Sep-09	Nadeem Ahmed	BAFL	(28,400)
28-Sep-09	Nadeem Ahmed	BOP	(38,200)
16-Sep-09	Nadeem Ahmed	DGKC	(42,000)
17-Sep-09	Nadeem Ahmed	NML	(15,800)
25-Sep-09	Nadeem Ahmed	PTC	(51,400)
29-Sep-09	M Salim Mukatay	BOP	(105,000)
28-Sep-09	M Shoaib	PTC	(35,000)
			<u>(1,075,169)</u>

October 2009

Date	Name	Symbol	Share Sale
22-Oct-09	Syed Adeel Raza	PTC	(241,800)
21-Oct-09	Syed Adeel Raza	NIB	(74,000)
16-Oct-09	Syed Adeel Raza	PTC	(205,157)
14-Oct-09	Syed Adeel Raza	ANL	(54,058)
1-Oct-09	Nadeem Ahmed	PTC	(100,000)
2-Oct-09	Nadeem Ahmed	ANL	(25,001)
22-Oct-09	M Salim Mukatay	NBP	(101,600)
16-Oct-09	M Salim Mukatay	BOP	(116,091)
15-Oct-09	Aamir Baig	JSCL	(49,903)
1-Oct-09	Aamir ashig Dewan	JSIL	(100,000)
			<u>(1,067,610)</u>

3. The trading data of the aforementioned period showed that the Respondent first sold and then squared up 4,557,030 shares of 16 clients in 24 scrips through 81 instances. The Commission vide its letters dated August 31, 2009, October 06, 2009 and November 16, 2009 sought clarifications regarding the above mentioned sales by the Respondent on behalf of its various clients. The Respondent in its replies vide letters dated September 10, 2009, October 12, 2009 and November 20, 2009 provided Central Depository Company of Pakistan Limited ("CDC") statements of some clients, while admitting that few transactions were mistakenly executed by the KATS Operators,



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which were intimated to the KSE. Further, the Respondent vide its letter dated September 10, 2009 made assurances that appropriate measures had been taken to avoid Blank Selling in future and expressed its commitment to root out the minor non-compliances completely even at micro level in future. However, on the contrary, same violations were continuously witnessed during the month of September 2009 and October 2009. The continuous execution of such Sales demonstrated virtually no improvement in the matter on part of the Respondent.

4. From the above-mentioned replies of the Respondent, it transpired that Respondent had executed the said trades without having pre-existing interest. Consequently, the SCN was issued to the Respondent under Section 22 of the Ordinance and the Brokers Rules stating that the Respondent has prima facie contravened Clause A (2) and A (5) of the Code of Conduct set forth under the Third Schedule of the Brokers Rules. The Respondent was asked to submit a written reply along with the documentary proof within seven days of the SCN and the hearing date was fixed at Commission's Islamabad Office on December 31, 2009. However, the date and venue of hearing was changed on the Respondent's request and the hearing was held at Commission's Karachi Office on January 13, 2010.
5. The Respondent submitted its written reply to the SCN vide its letter dated January 01, 2010. Some of the contentions raised by the Respondent in its reply are as follows:
  - *"...In the Annexure A for the month of Jul 09 pertaining to our client namely Mr. Syed Adeel Raza, Karam Noor, Muhammad Salim Mukaty, and Rubina Shaheen we hereby submit you the pre-existence interest on different dates whereby incase of Mansoor Khalil, Murtaza Ali and Muhammad Hanif we could not furnish the rationale".*
  - *"In the Annexure B for the month of Aug 09 pertaining to our client namely Mr. Syed Adeel Raza, Syed Muhammad Arif, Muhammad Salim Mukaty, Rafaqat Aziz, Nadeem Ahmed & Muhammad Zaid we hereby submit you the pre-existence interest on different dates whereby incase of Syed Arif Raza, Rubina shaheen and partly Muhammad Zaid we could not furnish the rationale".*
  - *"In the Annexure C for the month of Sep 09 pertaining to our client namely Mr. Syed Adeel Raza, Muhammad Salim Mukaty and Nadeem Ahmed we hereby submit you the*



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*pre-existence interest on different dates whereby incase of Muhammad Zaid and M. Shoaib we could not furnish the rationale".*

- *"In the Annexure D for the month of Oct 09 pertaining to our client namely Mr. Syed Adeel Raza, Muhammad Salim Mukaty and Nadeem Ahmed we hereby submit you the pre-existence interest in different dates whereby incase of Amir Ashiq Dewan we could not furnish the rationale".*
- *"There is a partial violation as the Orders Execution was not in line the Clause (b) of your letter. We lay our plea as this breach of regulation may be considered as not fully conversant with the regulations and its consequences thereon. Which means further more revision and clarity on our part to implement the said in true spirit".*
- *"And further to that if we see the measures from our side we have reduced the instances just close to zero till the month of December. This is evident in the enquiries asked by the Commission and well by the Exchange".*

6. On the hearing date the authorized representative of the Respondent Mr. Ghazi Naseem ("the Representative") appeared before me and made the following submissions:

- The Representative reiterated the stance, as already submitted to the Commission vide written reply to SCN and further stated that execution of few instances of Blank Sales were due to mistakes on part of KATS Operators which upon discovery were reported to KSE.
- The Representative informed that the Respondent has taken corrective measures which will reduce the number of Blank Sales near to zero.
- The Representative again reproduced the same CDC balance statements of the clients provided earlier with insufficient pre-existing interest along with the authority letters of their two clients namely Mr. Razaqat Aziz and Mr. Nadeem Ahmed.

7. The Respondent in its written reply as well as oral contentions made by the Representative during the course of hearing emphasized that above mentioned sales were not Blank Sales because in majority of cases shares sold by the clients were



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available in their CDC accounts. In order to verify the Respondent's assertions, I have scrutinized the evidences which were provided by the Representative during the course of hearing i.e. CDC Balance Reports of the Respondent's clients and details of Trade Log Modification Reports submitted to KSE by the Respondent and it is established that the Respondent had sold 2,469,896 shares without having pre-existing interest from July 01, 2009 to October 31, 2009. The details of month wise data provided by the Representative along with CDC positions are mentioned below:-

July 2009

Date	Name	Scrp	Max Share	CDC Balance	Interest KSI	Net Share
6-Jul-09	Abdul Ghafoor	AHSL	(95,400)	0	0	(95,400)
2-Jul-09	Syed Arif Raza	DGKC	(30,800)	19,800	0	(11,000)
22-Jul-09	Karam Noor	AHSL	(40,000)	0	40,000	0
6-Jul-09	Mansoor Khalil	BAFL	(30,000)	0	0	(30,000)
2-Jul-09	Murtaza Ali	NIB	(47,500)	0	0	(47,500)
15-Jul-09	M Salim Mukaty	BOP	(79,700)	62,500	0	(17,200)
1-Jul-09	M Salim Mukaty	NIB	(72,000)	0	0	(72,000)
16-Jul-09	M Salim Mukaty	NML	(30,400)	30,000	0	(400)
2-Jul-09	M Hanif	FFBL	(60,000)	0	0	(60,000)
7-Jul-09	M Hanif	OGDC	(25,000)	0	0	(25,000)
14-Jul-09	Rubina Shaheen	ANL	(22,000)	0	0	(22,000)
15-Jul-09	Rubina Shaheen	ANL	(24,000)	0	0	(24,000)
16-Jul-09	Rubina Shaheen	ANL	(13,500)	0	0	(13,500)
17-Jul-09	Rubina Shaheen	ANL	(20,000)	0	0	(20,000)
20-Jul-09	Rubina Shaheen	ANL	(90,000)	90,000	0	0
21-Jul-09	Rubina Shaheen	ANL	(25,721)	25,721	0	0
23-Jul-09	Rubina Shaheen	ANL	(28,715)	28,715	0	0
27-Jul-09	Rubina Shaheen	EPCL	(200,621)	200,621	43,156	0
13-Jul-09	Rubina Shaheen	JSCL	(72,400)	0	0	(72,400)
13-Jul-09	Rubina Shaheen	NIB	(200,000)	100,000		(100,000)
21-Jul-09	Rubina Shaheen	NIB	(43,500)	43,500	0	0
13-Jul-09	Rubina Shaheen	NML	(10,900)	0	0	(10,900)
			<b>(1,262,157)</b>	<b>557,701</b>	<b>83,156</b>	<b>(621,300)</b>

August 2009

Date	Name	Scrp	Max Share	CDC Balance	Interest KSI	Net Share
6-Aug-09	Syed M Arif	BAFL	(36,637)	0	0	(36,637)
13-Aug-09	Syed M Arif	DGKC	(29,775)	0	0	(29,775)
3-Aug-09	Syed M Arif	POL	(47,705)	0	60,000	0
5-Aug-09	Rafaqat Aziz	FCCL	(50,000)	Authority	Authority	(50,000)
10-Aug-09	Syed Adeel Raza	AICL	(43,000)	18,633	30,000	0



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17-Aug-09	Syed Adeel Raza	HUBC	(27,619)	12,000	0	(15,619)
18-Aug-09	Syed Adeel Raza	HUBC	(28,589)	12,000	0	(16,589)
11-Aug-09	Syed Adeel Raza	LUCK	(74,465)	39,318	0	(35,147)
25-Aug-09	Syed Adeel Raza	LUCK	(86,530)	19,418	84,000	0
31-Aug-09	Syed Adeel Raza	LUCK	(43,625)	20,977	0	(22,648)
25-Aug-09	Syed Adeel Raza	PTC	(32,000)	32,000	0	0
26-Aug-09	Syed Adeel Raza	PTC	(54,000)	54,000	0	0
27-Aug-09	Syed Adeel Raza	PTC	(50,000)	50,000	0	0
28-Aug-09	Syed Adeel Raza	PTC	(24,000)	24,000	0	0
3-Aug-09	Muhammad Zaid	PTC	(32,899)	3,300	0	(29,599)
4-Aug-09	Muhammad Zaid	PTC	(25,000)	0	0	(25,000)
6-Aug-09	Muhammad Zaid	PTC	(38,352)	0	0	(38,352)
10-Aug-09	Muhammad Zaid	PTC	(28,500)	0	0	(28,500)
17-Aug-09	Muhammad Zaid	PTC	(25,500)	0	0	(25,500)
18-Aug-09	Muhammad Zaid	PTC	(49,886)	0	49,886	0
19-Aug-09	Muhammad Zaid	PTC	(20,000)	0	0	(20,000)
26-Aug-09	Nadeem Ahmed	BAFL	(28,879)	Authority	Authority	(28,879)
26-Aug-09	Nadeem Ahmed	PTC	(44,000)	Authority	Authority	(44,000)
4-Aug-09	Rubina Shaheen	NIB	(36,713)	0	0	(36,713)
10-Aug-09	Rubina Shaheen	NIB	(49,900)	0	0	(49,900)
17-Aug-09	Rubina Shaheen	NIB	(19,370)	0	0	(19,370)
31-Aug-09	Rubina Shaheen	NIB	(92,500)	0	0	(92,500)
6-Aug-09	M Arif Paracha	TRG	(32,650)	0	0	(32,650)
			<b>(1,152,094)</b>	<b>263,125</b>	<b>211,591</b>	<b>(677,378)</b>

**September 2009**

Date	Name	Exch	Max Short	CDC Balance	Intimated Kap	Net Short
24-Sep-09	Muhammad Zaid	PIOC	(30,000)	0	0	(30,000)
24-Sep-09	Nadeem Ahmed	AHBL	(19,700)	Authority	Authority	(19,700)
24-Sep-09	Nadeem Ahmed	AHSL	(61,400)	Authority	Authority	(61,400)
18-Sep-09	Nadeem Ahmed	AKBL	(23,345)	Authority	Authority	(23,345)
16-Sep-09	Nadeem Ahmed	ANL	(25,000)	Authority	Authority	(25,000)
24-Sep-09	Nadeem Ahmed	ATRL	(20,645)	Authority	Authority	(20,645)
24-Sep-09	Nadeem Ahmed	BAFL	(52,800)	Authority	Authority	(52,800)
25-Sep-09	Nadeem Ahmed	BAFL	(28,400)	Authority	Authority	(28,400)
28-Sep-09	Nadeem Ahmed	BOP	(38,200)	Authority	Authority	(38,200)
16-Sep-09	Nadeem Ahmed	DGKC	(42,000)	Authority	Authority	(42,000)
17-Sep-09	Nadeem Ahmed	NML	(15,800)	Authority	Authority	(15,800)
25-Sep-09	Nadeem Ahmed	PTC	(51,400)	Authority	Authority	(51,400)
18-Sep-09	Syed Adeel Raza	BAFL	(110,562)	110,562	0	0
24-Sep-09	Syed Adeel Raza	BAFL	(53,798)	53,798	0	0
25-Sep-09	Syed Adeel Raza	BAFL	(60,000)	60,000	0	0
8-Sep-09	Syed Adeel Raza	HUBC	(50,919)	12,000	0	(38,919)





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24-Sep-09	Syed Adeel Raza	LUCK	(30,700)	6,809	0	(23,891)
8-Sep-09	Syed Adeel Raza	NML	(66,300)	58,251	0	(8,049)
18-Sep-09	Syed Adeel Raza	PTC	(154,200)	73,751	0	(80,449)
29-Sep-09	M Salim Mukatay	BOP	(105,000)	62,500	0	(42,500)
28-Sep-09	M Shoaib	PTC	(35,000)	0	0	(35,000)
			<b>(1,075,169)</b>	<b>437,671</b>	<b>0</b>	<b>(637,498)</b>

October 2009

Date	Name	Script	Max. Share	CDC Balance	Intimated KSI	Net Position
1-Oct-09	Aamir ashiq Dewan	JSIL	(100,000)	0	0	(100,000)
15-Oct-09	Aamir Baig	JSCL	(49,903)	0	0	(49,903)
16-Oct-09	M Salim Mukatay	BOP	(116,091)	56,091	60,000	0
22-Oct-09	M Salim Mukatay	NBP	(101,600)	0	0	(101,600)
2-Oct-09	Nadeem Ahmed	ANL	(25,001)	Authority	Authority	(25,001)
1-Oct-09	Nadeem Ahmed	PTC	(100,000)	Authority	Authority	(100,000)
14-Oct-09	Syed Adeel Raza	ANL	(54,058)	86	0	(53,972)
21-Oct-09	Syed Adeel Raza	NIB	(74,000)	0	0	(74,000)
16-Oct-09	Syed Adeel Raza	PTC	(205,157)	155,157	50,000	0
22-Oct-09	Syed Adeel Raza	PTC	(241,800)	126,556	86,000	(29244)
			<b>(1,067,610)</b>	<b>337,890</b>	<b>196,000</b>	<b>(533,720)</b>

8. It may be noted that a sale transaction of shares is said to be regular when a client has pre-existing interest in the shares before the sale. Hence, it is utmost necessary to assertion whether the Respondent's clients had pre-existing interest in the shares to the extent of shares sold. According to Clause-2 (g) of Regulations for Short Selling under Ready Market, 2002 ("the Regulations") sales with pre-existing interest means:-

- i. *The Squaring up of an earlier purchase on the same exchange in the same settlement.*
- ii. *The Squaring up of an earlier purchase on the same exchange in a different settlement which will settle prior to the settlement of the sale.*
- iii. *The Squaring up of an earlier purchase on another exchange in a different settlement which will settle prior to the settlement of the sale.*
- iv. *The squaring up of an earlier purchase on another exchange in the same settlement.*

However, the record provided by the Respondent did not substantiate that its clients had buying position to the extent of shares sold. Further Account Activity Report of the Respondent client's obtained from CDC in different shares have also confirmed that



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- they had either no buying position or less buying position in the said scrips before the sale.
9. The clause 2 (h) of the Regulations says "Short Sale" means "*a sale by a Member, on his Proprietary account or on Client's Account, not owing securities at the time of sale or the sale without constituting a Pre-existing Interest but is a sale on Proprietary Account or Client's Account entered into on the basis of Prior Contractual Borrowing Arrangement to meet delivery requirements on the settlement days*". Moreover the clause-2(f) of the Regulations clearly defines the ambit of its applicability wherein it is clearly mentioned that prior contractual borrowing arrangements are applicable only in respect of execution of short sale trades, whereas these arrangements can not be made valid for regular market sale without using Short Sale Order Window. However, the subject transactions were executed without using the Short Sale Order Window as admitted by the Representative during the course of hearing. According to the clause 5(b) of the Regulations the Respondent was required to use Short Sale Order Window designated in the Karachi Automated Trading System to execute such transactions.
10. Considering the facts and thoroughly evaluating the evidences/information available on record and after perusal of assertions made by Respondent, it is established that the Respondent has placed the sale orders in its client's accounts without having pre-existing interest and without fulfilling the prerequisites of the Regulations. Moreover, a plain paper authority, executed by the client in favor of the Respondent to pledge securities for the purpose of margin and exposure, cannot be taken as pre-existing interest /Borrowing and Lending agreement. It is also pertinent to mention here that repeated intimation to the KSE on premise of mistakes, subsequent to the related Blank Sales, can not be considered a valid justification for Blank Sale. The Clause-2 (a) of the Regulations says "Blank Sales" means "*a sale by a party that does not own shares or the sale does not constitute a sale with pre-existing interest or is a sale by a party that has not entered into a contractual borrowing arrangement to meet delivery requirements*". Hence, the sale by the Respondent without or insufficient pre-existing interest in their client's accounts falls within the ambit of Blank Sales which is prohibited in the Regulations.
11. The placement of the sale orders, without having pre-existing interest, interferes in the fair and smooth functioning of the market and creates misleading impression for the other investors. The Respondent by executing Blank Sales in its clients accounts has



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violated the Regulations which in turn is a violation of Code of Conduct set fourth under the Brokers Rules that makes it mandatory on the Respondent to execute its business with due care and skill and to put in place proper systems and controls to ensure that its business is conducted according to the applicable Rules and Regulations. It may be noted that the Respondent is responsible for each and every order placed or trade executed through its terminal. It is the prime responsibility of the Respondent to monitor all trading activities being carried out through its terminals in order to track any transaction which might violate applicable Rules and Regulation. Therefore, keeping in view the aforementioned, it is evident to me that the Respondent has violated Clause A2, and A5 of the Code of Conduct of the Brokers Rules which in turn is a violation of the Brokers Rules.

12. It is pertinent to mention here that the Commission had earlier passed orders, dated April 03, 2009 and October 02, 2009 against the Respondent under Section 22 of the Ordinance for violation of Code of Conduct set forth under the third schedule of the Brokers Rules. The Commission vide those orders had directed the Respondent to ensure that full compliance be made of all Rules Regulations and directives of the Commission and the stock exchanges in future for avoiding any punitive action under the law. The Respondent was also warned through letters dated August 18, 2009 and September 28, 2009 to conduct its business with due diligence care and skill failing which appropriate action can be taken against it. It is regrettable to note that despite of the earlier directions and warnings of the Commission, the Respondent continuously indulged in trading activities that are not permitted in the law. The Commission has taken a serious note of such conduct of the Respondent.
13. The above conduct of the Respondent does not show that the Respondent acted with due care, skill and promptitude. The Respondent has adopted a practice which has potential risk for the Respondent itself, its client and whole market. The unfair practice of the Respondent is detrimental for the growth and development of the market and undermines market integrity and transparency. I believe that if any market participant does not act accordingly then it should be held accountable for that. The violation of the Rules and Regulations is a serious matter which entitles the Commission to even suspend the Respondent's membership but I have elected not to exercise this power at present. However, in exercise of the powers under Section 22 of the Ordinance, I hereby impose on the Respondent a penalty of Rs. 1,000,000/- (Rupees One Million only). I



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strongly advise the Respondent to take immediate measures and put in place proper checks and procedures to eliminate the occurrence of such instances in future. I again 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 serious punitive action under the law.

14. 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.
15. The order is being issued without prejudice to any or all actions that may be required to be taken under the law against the Respondent, its individuals director(s)/officer(s) or any other person involved in violation of any other rules and regulations which may have been committed.

Imran Inayat Butt  
Director (SM)

Announced on March 19, 2010  
Islamabad.