



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)
MARKET SUPERVISION & CAPITAL ISSUES DEPARTMENT

Before The Director (Market Supervision & Capital Issues Department)

In the matter of Show Cause Notice issued to

Mr. Muhammad Atif Malik

Under Section 15E (3) of the Securities & Exchange Ordinance, 1969

Date of Hearing:

June 23, 2011

Present at Hearing:

(i) *Mr. Muhammad Atif Malik*

*Former VP & Head of International Sales,
JS Global Capital Limited*

Assisting the Director (MSCID)

(i) *Mr. Umair Zahid*

Assistant Director

ORDER

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1 (7) IT/MSW/SMD/2011/01 dated June 08, 2011 ("SCN") under Section 15E (3) of the Securities & Exchange Ordinance, 1969 ("the Ordinance") issued by the Securities and Exchange Commission of Pakistan ("the Commission") to Mr. Muhammad Atif Malik ("the Respondent").
2. At the outset, it is imperative to give an account of the facts relating to the case. The Respondent used to work with JS Global Capital Limited ("JSGCL"), which is a corporate member of Karachi Stock Exchange (Guarantee) Limited ("KSE"), in the capacity as Vice President and Head of International Sales. As a part of his employment, the Respondent was responsible for handling the matters relating to foreign clients of JSGCL including execution of their trading orders.
3. On perusal of trading data of Karachi Automated Trading System of KSE, it was observed that Mrs. Nasim Akhtar ("NA") and Ms. Nimra Malik ("NM") traded extensively in shares



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of a number of companies. It was further noted that the trading in the accounts of NA and NM was conducted through JSGCL.

4. The analysis of trading data revealed that NA traded in her brokerage account from March 05, 2010 to April 12, 2011. The trading information further revealed that a total of 203 trading instances were recorded in the account of NA during 129 trading days. For the purpose of simplicity, a trading instance is taken to be the total trading conducted in a single scrip by the trader during a given day. It was noted that out of the total 203 trading instances, 184 trading instances involved where NA purchased and sold exactly the same number of shares in a given scrip on the same trading day ("**Day Trading**"). The remaining 19 trading instances represented situations when purchase and sale quantities of shares in the account of NA on a given trading day in a certain scrip did not set off completely ("**Position Trading**").
5. Moreover, the analysis of trading activities in the account of NM was also conducted. It was derived from the analysis that NM traded in her account from December 28, 2010 to April 14, 2011. A total of 26 trading instances were observed in the account of NM, out of which, 24 instances represented Day Trading, whereas the remaining 2 instances were Position Trading.
6. A significant majority of trading in the accounts of NA and NM was directly synchronized with the placement of orders and trading of foreign clients of JSGCL. In addition to this, it was noted that a major portion of trading by NA and NM matched directly with the trading of foreign clients. In a coordinated manner, NA and NM used to place orders to purchase shares of companies around the same time when foreign clients were placing orders to purchase/sell shares of the same companies through JSGCL.
7. Out of the total 184 instances of Day Trading in the account of NA, 161 instances were directly related to the trading by foreign institutional and individual clients of JSGCL. Moreover, from the 19 instances of Position Trading, 8 instances involved synchronization



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of trading and placement of orders by NA with foreign clients. NA transacted a total of 6,047,789 shares in 32 scrips in Day Trading Instances, which coincided with the placement of orders and trading by foreign clients. As a result of such Day Trading instances, NA earned a cumulative profit of Rs. 3,939,473 in her account. The scrip-wise trading by NA and the consequent profit earned is enumerated in the Table below.

Table-1

Sr.	Company Name	Traded Shares	Profit (Rs.)
1	Al-Abbas Cement Industries Limited	100,000	38,319
2	Allied Bank Limited	12,229	4,892
3	Adamjee Insurance Company Limited	417,087	373,933
4	Azgard Nine Limited	200,000	5,672
5	Attock Petroleum Limited	15,905	18,630
6	Bank Al-Falah Limited	319,600	59,698
7	Dandot Cement Company Limited	1,690	(576)
8	EFU General Insurance	4,800	7,426
9	ENGRO Corporation Limited	246,003	211,505
10	Fatima Fertilizer Company	25,000	8,595
11	Fauji Fertilizer Company	175,000	348,794
12	Habib Bank Limited	49,000	27,626
13	Hub Power Company Limited	150,000	58,000
14	IGI Insurance Limited	20,472	8,373
15	Indus Motor Company Limited	54,699	126,150
16	JS Bank Limited	167,000	41,869
17	Jahangir Siddiqui & Company Limited	1,399,452	509,448
18	Kot Addu Power Company	380,000	251,075
19	Lucky Cement Limited	433,163	260,824
20	MCB Bank Limited	442,441	501,697
21	National Bank of Pakistan	61,000	43,624
22	Nishat Mills Limited	1,000	100
23	National Refinery Limited	4,000	5,521
24	Oil & Gas Development Co. Limited	239,611	124,345
25	Pakistan Int. Container Terminals	100	76
26	Packages Limited	36,000	86,519
27	Pakistan Petroleum Limited	59,000	77,673
28	Pak Suzuki Motor Company Limited	2,500	(90)
29	Pakistan State Oil	442,902	507,399
30	Pakistan Telecommunication Co. Ltd	265,000	78,757
31	Sui Northern Gas Pipelines Limited	70,000	46,982
32	United Bank Limited	253,135	106,617
TOTAL		6,047,789	3,939,473



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8. The detailed analysis of trading in the account of NM also revealed that out of the total 24 instances of Day Trading, her trading in 22 instances was in direct synchronization with foreign clients of JSGCL. NM traded a total of 582,982 shares in 10 scrips during Day Trading instances which coincided with the corresponding trading by foreign clients in same scrips. As a result of this trading, NM earned a cumulative profit of Rs. 534,200. The detailed scrip-wise analysis of trading and profit earned by NM is given in the Table below.

Table-2

Sr.	Company Name	Traded Shares	Profit (Rs.)
1	Adamjee Insurance Company Limited	113,000	35,023
2	Fauji Fertilizer Company	85,000	346,416
3	Hub Power Company Limited	22	5
4	Indus Motor Company Limited	9,100	1,680
5	Lucky Cement Limited	70,000	22,723
6	National Bank of Pakistan	130,000	62,759
7	Packages Limited	15,860	18,365
8	Pakistan State Oil	35,000	18,024
9	Pakistan Telecommunication Co. Ltd	100,000	26,231
10	Sui Southern Gas Company Limited	25,000	2,974
TOTAL		582,982	534,200

9. It was noted that over 72% of the synchronized trading by NA in the Day Trading instances matched directly with the corresponding trades of foreign clients. In the same context, over 86% of the Day Trading by NM matched directly with trading of foreign clients. In addition to the same, majority of the trading by NA and NM alongside foreign clients was conducted through same terminal ID of JSGCL, i.e., REM14908, which is located at the Head Office of JSGCL, 6th floor, Faysal House, Shahrah-e-Faisal, Karachi.
10. It was further observed that the corresponding trading by foreign clients in the same trading instances as conducted in the accounts of NA and NM during Day Trading was quite significant. The trading of foreign clients in same trading instances as that of NA amounted to over 106 million shares, whereas in case of NM, the foreign clients traded around 15 million shares in the same scrips and trading instances.



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11. Considering the nature of trading by NA and NM and their connection with corresponding trading by foreign clients of JSGCL, the account details including account opening forms, trading statements, financial ledgers, copies of trading orders, and details of receipts and payments for both NA and NM were obtained from JSGCL. The analysis of information received from JSGCL revealed that NA had opened her brokerage account on March 02, 2010 and the account of NM was opened on December 08, 2010. In addition to this, it was also noted that NA and NM had their only active brokerage accounts at JSGCL and had no prior trading history. In addition to the information received from JSGCL, the identity details of NA and NM were also obtained from National Database and Registration Authority, which clearly revealed that NA is the mother of the Respondent, whereas NM is the Respondent's sister.
12. The trading pattern of NA and NM and its significant synchronization with trading of foreign clients of JSGCL along with the observation of strong relationship of the Respondent with NA and NM, *prima facie*, established that the Respondent, being an insider, by virtue of his position as Vice President and Head of International Sales at JSGCL, had passed on/disclosed the inside information relating to large trading orders received from foreign clients to his mother, NA and his sister, NM, based on which, NA and NM indulged in insider trading and earned significant amounts of profit. Consequently, SCN was issued to the Respondent to explain as to why action should not be taken against him under Section 15E (3) 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 June 23, 2011 for a hearing.
13. The Respondent provided his written response to SCN dated June 18, 2011, wherein the following submissions were made:
- (a) *The Respondent admitted that he provided help in trading to his mother NA and sister NM and helped them in general trading decisions.*
 - (b) *The Respondent asserted that he was not aware of the consequences of such type of action as it was considered a norm in the stock market trading.*



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- (c) *The Respondent submitted that he had been associated with the capital markets for the last seven years and have helped in promoting the image of capital markets at a number of forums, nationally and internationally.*
- (d) *The Respondent stated that throughout the course of his employment in the department of international sales, he had strived to maintain confidentiality of foreign clients' information and no client has ever complained about the execution of orders entrusted in the Respondent.*
- (e) *Finally, the Respondent admitted his offence and assured that he would refrain from all such actions in the future.*
- (f) *The Respondent prayed that a lenient view may be taken in the matter.*
14. On the date of hearing, the Respondent appeared before me and reiterated the submissions as made in the written reply stated above. The Respondent assured that he would be vigilant in all his professional matters in the future and would not be involved in any kind of violation of law. Additionally, the Respondent prayed that keeping in view the submissions in the case, the Commission may take a lenient view in this matter.
15. I have examined the facts, evidences and documents on record, in addition to written and verbal submissions of the Respondent. It is established that the Respondent was an insider by virtue of his position and employment at JSGCL, where normally he received material non-public information relating to large trading orders of foreign clients. It is further established that the Respondent provided information relating to large trading orders of foreign clients to NA and NM. Subsequently, NA and NM indulged in insider trading in their accounts on the basis of the inside information and earned significant amount of profit totaling Rs. 4,473,673 on cumulative basis.
16. It is mindfully noted that the Respondent, being among the highest level officials of JSGCL was entrusted with confidential information pertaining to foreign clients including their trading orders. The Respondent was expected to maintain a high degree of conduct and ensure his vigilance and awareness of the laws and rules in general and particularly the laws established for the oversight of his areas of responsibilities. Moreover, the Respondent had the responsibility to ensure that his actions were in the best interests of the clients of



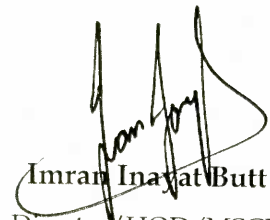
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JSGCL and he was expected to properly address all the implications arising as a result of his actions.

17. In view of foregoing, whilst giving due consideration to the prayer of the Respondent to take a lenient view in the light of Respondent's apologetic submission of his offence, in exercise of powers under Section 15E (3) of the Ordinance, I hereby impose on the Respondent a fine of Rs. 500,000/- (Rupees Five Hundred Thousand Only) for passing on/disclosing material inside information relating to large trading orders of foreign clients to his mother, NA and his sister, NM who were not required to possess such inside information for any reason.
18. In the similar measure, the Commission has also taken enforcement action against NA and NM for indulging in insider trading on the basis of material non-public information pertaining to large trading orders of foreign clients. Consequently, fines have been imposed on them under Section 15E (1) of the Ordinance.
19. This matter is disposed of in the above manner and the Respondent is directed to deposit the fine as mentioned in paragraph 17 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.
20. 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 (MSCI)
Securities Market Division

Announced on August 11, 2011
Islamabad.