



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NIC BUILDING JINNAH AVENUE, ISLAMABAD

Before the Director (Securities Market Division)

In the matter of Show Cause Notices issued to the following 56 Applicants under Section 18A of the Securities and Exchange Ordinance, 1969 (the Ordinance) regarding submission of applications through MCB Bank Limited, Al-Abbas Sugar Mills Branch, Mirpurkhas (hereinafter referred to as the Bank) for subscription of shares of Habib Bank Limited (HBL) offered to the general public on July 26-31, 2007:-

Sr. No	Application Number	Application Category	Date of Show Cause Notice	File No.	Applicant's Name	Parentage	NIC Number
1	2-323-1979	100 shares	11-Jul-08	1854-F	Mohammad Nasir	Allah Bux	44103-0296870-9
2	2-323-1982	100 shares	11-Jul-08	1855-F	Abdul Majeed	Abdul Sattar	44101-0165201-5
3	2-323-1983	100 shares	11-Jul-08	1856-F	Prem Chand	Uero	44103-6882971-1
4	2-323-2163	100 shares	16-Jul-08	2005-F	Nadeem Akhtar	Zafayab	44103-4028884-5
5	2-323-2164	100 shares	16-Jul-08	2006-F	Inederyas	Inayat	44103-4828130-3
6	2-323-2165	100 shares	16-Jul-08	2007-F	Ahmed Ali	Mohammad Ali	44103-2141639-3
7	2-323-2166	100 shares	16-Jul-08	2008-F	Mohammad Irfan	Zafaryab	44103-2363088-7
8	2-323-2167	100 shares	16-Jul-08	2009-F	M. Naseer	M. Zulfiqar	44103-7905561-3
9	2-323-2169	100 shares	16-Jul-08	2010-F	Ahsan Habib	Habib Ullah	42101-4444902-9
10	2-323-1962	100 shares	26-Jan-09	24-G	Fida Hussain	Mohammad Bacahl	44103-4336647-1
11	2-323-1963	100 shares	26-Jan-09	25-G	Waqar Ahmed	Nisar Ahymed	44103-8952512-7
12	2-323-2168	100 shares	26-Jan-09	54-G	Rahim Uddin	Zafar Uddin	44103-7081425-1
13	2-323-2193	100 shares	26-Jan-09	70-G	M. Saleem	M. Sadique	44101-0154293-9
14	2-323-2186	100 shares	26-Jan-09	64-G	Liaquat Ali	M. Ramzan	44101-5656906-1
15	2-323-2199	100 shares	26-Jan-09	74-G	Nazeer Ahmed	Faqir Mohammad	44103-5996539-1
16	2-323-2170	100 shares	16-Jul-08	2011-F	Ali Asghar	Talab Hassan	44101-3498999-1
17	2-323-2176	100 shares	16-Jul-08	2013-F	Hassa Nano	Toola Ram	44103-0581893-5
18	2-323-2189	100 shares	16-Jul-08	2014-F	M. Akber	Ali Muhammad	44103-4167946-3
19	2-323-2197	100 shares	16-Jul-08	2015-F	Shukat Ali	M. Sadique	44103-6881284-3
20	2-323-2216	100 shares	16-Jul-08	2024-F	Dawi Bux	Manho Khan	44101-1233219-7
21	2-323-1966	100 shares	26-Jan-09	28-G	Khatumal	Sanbhomal	44103-9306810-1
22	2-323-1984	100 shares	26-Jan-09	37-G	Ajeet Kumar	Khto Mal	44103-4624212-7
23	2-323-1985	100 shares	26-Jan-09	38-G	Rajesh Kumar	Khatu Mal	44103-8083180-7
24	2-323-1986	100 shares	26-Jan-09	39-G	Qurban Ali Shah	Luki M. Shah	44101-8904337-5
25	2-323-1987	100 shares	26-Jan-09	40-G	Bux Ali Shah	Syed Hajan Shah	44101-7094802-1
26	2-323-1988	100 shares	26-Jan-09	41-G	M. Younis	Mohamad Yaquab	44101-0156789-1
27	2-323-1996	100 shares	26-Jan-09	49-G	Waheeda Bebi	Muhammad Boota	44101-3901636-0
28	2-323-2146	100 shares	26-Jan-09	53-G	Zahid Hussain	Naseer Ahmed	41103-6621346-3
29	2-323-2175	100 shares	26-Jan-09	56-G	M. Asgher	Ghulam Qadir	44101-0155653-5
30	2-323-2177	100 shares	26-Jan-09	57-G	M.Anwer	Ghulam Qadir	44101-5127843-1
31	2-323-2178	100 shares	26-Jan-09	58-G	Abdul Ghaffar	Bashir Ahmed	44103-1806005-9
32	2-323-2179	100 shares	26-Jan-09	59-G	M. Ashraf	Muhammad Din	44101-3479224-3
33	2-323-2182	100 shares	26-Jan-09	60-G	Shafarish Ali	M.Ramzan	44101-3695897-9



34	2-323-2183	100 shares	26-Jan-09	61-G	M. Mushatque	Muhammad Ali	44101-1082756-5
35	2-323-2184	100 shares	26-Jan-09	62-G	Safdar Hussain	Muhammad Sharif	44103-3535147-5
36	2-323-2185	100 shares	26-Jan-09	63-G	Muneer Ahmed	Wmer Din	44101-0161582-5
37	2-323-2187	100 shares	26-Jan-09	65-G	M. Ramzan	Mohammad Ali	44101-4144810-3
38	2-323-2173	100 shares	16-Jul-08	2012-F	Abada	Mohammad Shafi	44101-2372919-2
39	2-323-1954	100 shares	26-Jan-09	17-G	Saddiqa Begum	Nazir Ahmed	44103-8379258-6
40	2-323-1956	100 shares	26-Jan-09	19-G	Fazila Anwar	Muhammad Anwar	44103-0640188-4
41	2-323-1957	100 shares	26-Jan-09	20-G	M. Ayaz	Nazeer Ahmed	42301-9616916-5
42	2-323-1958	100 shares	26-Jan-09	21-G	Nazeer Ahmed	Abdul Sattar	44103-0321714-9
43	2-323-2171	100 shares	26-Jan-09	55-G	Mahmod Alam	Khoshi Mohd	44103-5088454-7
44	2-323-2200	100 shares	26-Jan-09	75-G	M. Anwer	Nazeer Ahmed	44103-4074061-5
45	2-323-1951	100 shares	26-Jan-09	14-G	M. Yousif	M. Younis	44103-8549060-5
46	2-323-1952	100 shares	26-Jan-09	15-G	Fatima Begum	M. Rafique	44103-6722567-2
47	2-323-1953	100 shares	26-Jan-09	16-G	M. Shafique	M. Rafique	44103-0580059-3
48	2-323-1959	100 shares	26-Jan-09	22-G	M. Yonis	Mohammad Sharif	44101-8257049-7
49	2-323-1961	100 shares	26-Jan-09	23-G	M. Sahid	Muneer Ahmed	44101-1345895-7
50	2-323-2188	100 shares	26-Jan-09	66-G	M. Jameel	M. Sadique	44101-0154485-9
51	2-323-2190	100 shares	26-Jan-09	67-G	Liaquat Ali	Wali Muhammad	44101-1539996-5
52	2-323-2191	100 shares	26-Jan-09	68-G	Fazal Kareem	Rahmat Ullah	44101-4558361-1
53	2-323-2192	100 shares	26-Jan-09	69-G	Sunder Lal	Jathanand	41207-4869351-7
54	2-323-2194	100 shares	26-Jan-09	71-G	Allah Buksh	Khuda Buksh	44101-8704467-3
55	2-323-2196	100 shares	26-Jan-09	72-G	Muneer Ahmed	M. Sadique	44101-0154289-9
56	2-323-2198	100 shares	26-Jan-09	73-G	Ameer Lutaf Allah	M. Sadique	44103-6433625-5

Date of hearings: September 28, 2009 to October 08, 2009

Present at hearings:

Representing the Applicants:

- i. 15 Applicant at Sr. No. 01-15 in person.
- ii. Mr. Liaquat Ali s/o Muhammad Ramzan, CNIC No. 44101-5656906-1 on behalf of 22 Applicants at Sr. No. 16 – 37.
- iii. Mr. Nazeer Ahmed s/o Faqeer Ahmed, CNIC No.44103-5996539-1 on behalf of 7 Applicants at Sr. No. 38 – 44.
- iv. Mr. Raj Kumar CNIC No. 44103-6244232-9 on behalf of 12 Applicants at Sr. No. 45 – 56.

Assisting the Director (SMD)

Mr. Tariq Naseem, Deputy Director (SMD), SECP

ORDER

This order will dispose of the proceedings initiated against the above-listed 56 Applicants through the respective show cause notices as indicated above regarding submission of applications for subscription of shares of HBL.

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1. Facts of the case are that:-

- (i) the Privatization Commission, Government of Pakistan (hereinafter referred to as the Offerer) offered 34.500 million shares to the general public for subscription from July 26-31, 2007 out of its shareholding in HBL through the Offer for Sale Document dated July 14, 2007 (hereinafter referred to as OFSD) issued, circulated and published with the approval of the Securities and Exchange Commission of Pakistan (hereinafter referred to as the Commission) under Section 62 read with Section 57 of the Companies Ordinance, 1984.
- (ii) Global Securities Pakistan Limited, the Lead Manager to the Offer, on behalf of the Offerer, vide letter dated December 04, 2007 furnished to the Commission a list containing particulars of **2283 applicants including the said 56 Applicants** who submitted applications for subscription of shares of HBL in violation of Section 18A of the Ordinance. The said Section 18A stipulates that;

“(1) No person or any other person on his behalf shall make a fictitious application or submit more than one application for shares of companies offered to the public.(2) In case of contravention of the provisions of subsection (1), the application money shall be liable to confiscation.”

It was clearly stated in OFSD, abridged OFSD and the advertisements published, with respect to the said Offer, in various Newspapers that fictitious and multiple applications (more than one applications by a single applicant) are prohibited and such applications' money shall be liable to confiscation under Section 18A of the Ordinance.

- (iii) MCB Bank Limited, Head Office, Karachi (hereinafter referred to as the Bank's Head Office) vide letter dated August 10, 2007 read with their letters dated August 13, 2007 and August 15, 2007, on the basis of information provided by MCB Bank Limited, Regional Office, Hyderabad (hereinafter referred to as the Bank's Regional Office) requested THK Associates (Pvt.) Limited [the Share Registrar of HBL and the Ballotter to the Offer (hereinafter referred to as the Share Registrar)] that out of the total 2283 applications initially forwarded by the Bank, only 92 applications be included in the ballot and the rest of 2191 applications submitted through the Bank be treated as cancelled.
- (iv) The Ballot for selection of applications was conducted on August 11, 2007 and all the said 2283 applications including the said 56 applications submitted through the Bank were included in the said ballot. The Share Registrar vide its letter dated August 15, 2007 intimated the same to the Bank's Head Office and advised it to contact the competent authority i.e. the Commission for necessary instruction in the matter. The Bank's Head Office approached the Commission vide its letter dated September 6, 2007 for issuance of directives authorizing the Lead Manager to the Offer for refund of the subscription money of the unsuccessful applications. The Commission vide its letter dated September 18, 2007 requested the Bank's Head Office to provide certain information/documents enabling it to proceed in the matter. A'



- (v) The case was preliminary examined on the basis of information received in this office in response to the above-mentioned letters and subsequent correspondence. The preliminary examination raised the suspicion that most of the 2283 applications submitted through the Bank are made in violation of Section 18A of the Ordinance. It was observed that: -
- (a) most of the 2283 applications were made from six common addresses;
 - (b) most of the applications contained such bank account numbers which were mentioned in other applications as well i.e. the account numbers provided therein were incorrect as these account numbers either mis-match with the respective title of account or even didn't exist;
 - (c) the Applicants' signatures affixed on most of the applications varied from those affixed on their respective CNICs. Since most of the bank accounts mentioned in the applications were not maintained with the Bank, hence authenticity of the signatures affixed on the applications could not be verified. Hence, compliance to instruction No. 8.5 of Part VIII of OFSD was not made. The said instruction states that "*in case of difference of signature with the bank and the Computerized National Identity Card (CNIC), both the signatures should be affixed on the Application Form*". This instruction was not complied with;
 - (d) instruction No. 8.15 states that, "*Making of any false statement in the application or willfully embodying incorrect information therein will make the applicant or the bank liable to legal action*". The Bank's Head Office vide letter dated October 24, 2007 stated that out of total 2283 applications, 2191 applications are defective due to non-maintenance of bank account with the Bank. Whereas, most of the said 2191 applications contained numbers of bank accounts. This indicated that the bank account numbers mentioned in the said applications were fictitious; and
 - (e) instruction No. 8.8 (a) states that "*Subscription money must be paid by a cheque drawn on applicant's own bank account*". Since the applications in question contained incorrect account numbers, therefore, compliance with this instruction was doubtful.

2. Explanations of all 2283 applications including the said 56 Applicants were called through independent letters dated January 25, 2008 and April 21, 2008 by sending at the addresses mentioned in their respective applications and through the Bank. The Applicants at Sr. No. 01-08, 13 and 45-56 denied allegations made through the above-stated explanation letters whereas no response was received in respect of the rest of 35 Applicants. To ascertain genuineness of the Applicants, show cause notices under section 18A of the Ordinance were issued to all 2283 applications including the said 56 Applicants.

3. The said 56 Applicants were issued show cause notices by the following 03 officers of the Commission. Officer-wise breakup of the show cause notices issued is as under:

S. No.	Adjudicating Officers	Total Number of Cases
1.	Amir M. Khan Afridi, Director	41
2.	Ms. Musarat Jabeen, Director	12
3.	Mr. Muhammad Farooq, Joint Director	03
	Total	56



4. Individual hearings in the said 56 cases were conducted by the above-mentioned 03 officers during the period from June 30, 2008 to February 11, 2009. The Applicants were allowed to appear either in person or through representatives duly authorized through written power of attorney and were directed to bring along with the following documents:-

- (i) CNIC in original and an attested copy thereof of the Applicant and that of the attorney, if any;
- (ii) bank account statement, for the period mentioned in the respective show cause notices, of the bank account mentioned in the application;
- (iii) counterfoil of the pay order (in case subscription money is paid through pay order) along with bank account statement of the bank account through which the subscription money was paid;
- (iv) in case the subscription money is neither paid through bank account mentioned in the application nor paid through pay order, then bring the bank account statement of the bank account through which the subscription money was paid;
- (v) provisional acknowledgement (receipt), issued to the Applicant by the Bank at the time of acceptance of application for subscription of shares of HBL; and
- (vi) any other document(s), which in opinion of the Applicant be useful to support his claim.

5. During the hearings held by the above-mentioned 03 officers, 07 Applicants mentioned at Sr. No. 1, 4, 9, 10, 11, 14 and 15 appeared in person, 05 persons appeared on behalf of 40 Applicants claimed to be their attorneys whereas 09 Applicants remained absent. Break up of the 40 Applicants represented by the said five persons is as under:

- (i) 16 Applicants mentioned at Sr. No. 21 to 26 and at Sr. No. 28 to 37, represented by Mr. Liaqat Ali;
- (ii) 12 Applicants mentioned at Sr. No.13 and at Sr. No.45 to 55, represented by Mr. Raj Kumar;
- (iii) 06 Applicants mentioned at Sr. No. 39 to 44 represented by Mr. Nazeer Ahmed;
- (iv) 05 Applicants mentioned at Sr. No. 05 to 08 and at Sr. No.12 represented by Mr. Nadeem Akhtar; and
- (v) 01 Applicant mentioned at Sr. No. 02 represented by Mr. Mohammad Nasir.

6. The 07 Applicants appeared in person and 40 Applicants appeared through above-mentioned 05 attorneys before the above-mentioned 03 officers produced all the requisite documents including original CNICs and respective bank account statements. They argued that their applications are genuine and therefore shares be allotted against their genuine applications. However, after the hearings in all 2283 cases it was observed that most of the applications submitted through the Bank is an elaborate scheme and that most of the said 2283 applications have not been submitted by the Applicants i.e. the persons named therein rather these



applications have been submitted by a few persons or groups of persons with ulterior motives, therefore, it was found necessary that the matter be probed further.

7. The Bank was requested vide letter dated November 12, 2008 to provide certain information, on a pre-set format, relating to detail of payments made by each of the said 2283 applicants. The Bank's Head Office vide letter dated January 02, 2009 intimated that most of the applications were financed through two cheques bearing No. 033205 and No.033208 both dated July 31, 2007 amounting to Rs.47,000,000/- and Rs.3,384,000/- for payment of subscription money of 1950 applications and 144 applications respectively and that these cheques were drawn on PLS account No.3600-4 maintained with the Bank in the name of Mr. Ahsan Habib s/o Habibullah.

8. The above-mentioned information prima facie further suggested that most of the applications submitted through the Bank for subscription of shares of HBL appeared to be fictitious and have been submitted with ulterior motives as a part of a well thought out scheme by using identities of the applicants. These facts were brought to the notice of the Commission by all the adjudicating officers. The Commission in its 25th meeting held on July 22, 2009 decided that cases of 2228 (2283 - 55 = 2228) applicants including the said 56 Applicants be heard by the undersigned. 55 applications being multiple were already disposed of through separate orders.

9. Rehearing in all the said 2228 applications including the said 56 applications were fixed from September 28, 2009 to October 8, 2009 at the Commission's regional office viz. the Companies Registration Office, 4th Floor, State Life Building No.2, North Wing, Wallace Road, Karachi. Hearing Notices requiring the applicants to appear in person were issued in the names of all the 2228 applicants including the said 56 Applicants at the addresses mentioned in the applications and as well as their permanent and temporary addresses mentioned in their CNICs. To ascertain genuineness of the applications, personal appearance in the hearings were made mandatory.

10. On October 8, 2009, 15 Applicants mentioned at Sr. No. 01 to 15 appeared before me in person, presented their original CNICs and argued that they are maintaining proper bank accounts with the Bank, that the applications were submitted by them through their respective bank accounts and that they have already provided the requisite documents including verified bank statements. They requested for restoration of their respective applications.

11. Mr. Liaqat Ali one of the Applicants appeared on behalf of 22 Applicants mentioned at Sr. No. 16 to 37, Mr. Nazeer Ahmed one of the Applicants appeared on behalf of 07 Applicants mentioned at Sr. No. 38 to 44 and Mr. Raj Kumar appeared on behalf of 12 Applicants mentioned at Sr. No. 45 to 56. They presented original CNICs of all the said 41 Applicants and argued that they have already provided the requisite documents including verified bank statements. They intimated that the Applicants represented by them are their family members and small investors. They did not appear in the hearing due to heavy travelling cost from Mirpurkhas to Karachi and other expenses of approximately Rs. 3000/- per person. They requested that the requirement of personal appearance be waived off and that their applications be restored.

12. I have considered the arguments presented before me by the above-mentioned 15 Applicants appeared in person and 41 Applicants appeared through their attorneys. Perusal of the applications, production of original CNICs of the Applicants & verified bank statements of their respective bank accounts, information received from the Bank that the money used for financing the said 56

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applications were funded through the bank accounts mentioned in the respective applications establishes that the said 56 applications have been submitted by the Applicants named therein.

13. In view of the forgoing paras, I am of the considered view that the 56 applications submitted by 56 Applicants mentioned in the caption of the Order are genuine, therefore, all the said 56 applications are restored and the Offerer is advised to issue shares against all the said above-mentioned 56 applications along-with the accrued benefits.



Amir M. Khan Afridi
Director (SMD)

Announced:
June 30, 2010
Islamabad

