



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

Ms. Nimra Malik

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

Date of Hearing:

June 23, 2011

Present at Hearing:

Representing Ms. Nimra Malik

(i) *Mr. Sher Mohammad Malik*

Representative

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/2011/03 dated June 08, 2011 ("SCN") under Section 15E of the Securities & Exchange Ordinance, 1969 ("the Ordinance") issued by the Securities and Exchange Commission of Pakistan ("the Commission") to Ms. Nimra Malik ("the Respondent").
2. At the outset, it is imperative to give an account of the facts relating to the case. On perusal of trading data of Karachi Automated Trading System of Karachi Stock Exchange (Guarantee) Limited ("KSE"), it was observed that the Respondent traded extensively in shares of a number of companies. It was further noted that the trading by the Respondent was conducted through JS Global Capital Limited ("JSGCL"), which is a corporate member of KSE.
3. The analysis of trading data revealed that the Respondent traded in her brokerage account from December 28, 2010 to April 14, 2011. The trading information further revealed that a



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total of 26 trading instances were recorded in the account of the Respondent during 19 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 26 trading instances, 24 trading instances involved where the Respondent purchased and sold exactly the same number of shares in a given scrip on the same trading day ("Day Trading"). The remaining 2 trading instances represented situations when purchase and sale quantities of shares in the account of the Respondent on a given trading day in a certain scrip did not set off completely ("Position Trading").

4. A significant majority of trading in the account of the Respondent 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 the Respondent matched directly with the trading of foreign clients. In a coordinated manner, the Respondent 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.
5. Out of the total 24 instances of Day Trading in the account of the Respondent, 22 instances were directly related to the trading by foreign institutional clients of JSGCL. The Respondent transacted a total of 582,982 shares in 10 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, the Respondent earned a cumulative profit of Rs. 534,200 in her account. The scrip-wise trading by the Respondent and the consequent profit earned is enumerated in the Table below.

Table-1

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



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9	Pakistan Telecommunication Co. Ltd	100,000	26,231
10	Sui Southern Gas Company Limited	25,000	2,974
TOTAL		582,982	534,200

6. It was noted that over 86% of the synchronized trading by the Respondent in the Day Trading instances matched directly with the corresponding trades of foreign clients. In addition to the same, all the trading conducted by the Respondent and foreign clients was executed 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.
7. It was further observed that the corresponding trading by foreign clients in the same trading instances as conducted in the account of the Respondent during Day Trading was quite significant. The trading of foreign clients in same trading instances as that of the Respondent amounted to around 15 million shares.
8. Considering the nature of trading by the Respondent and her connection with corresponding trading by foreign clients of JSGCL, the account details including account opening form, trading statement, financial ledger, copies of trading orders, and details of receipts and payments for the Respondent were obtained from JSGCL. The analysis of information received from JSGCL revealed that the Respondent had opened her brokerage account on December 08, 2010. In addition to this, it was also noted that the Respondent had her only active brokerage account at JSGCL and had no prior trading history. In addition to the information received from JSGCL, the identity details of the Respondent were also obtained from National Database and Registration Authority, which clearly revealed that the Respondent is the sister of Mr. Muhammad Atif Malik, who at the time of trading by the Respondent was the Vice President and Head of International Sales at JSGCL.
9. The trading pattern of the Respondent and its significant synchronization with trading of foreign clients of JSGCL along with the observation of strong relationship of the Respondent with Mr. Muhammad Atif Malik, *prima facie*, established that Mr. Muhammad Atif Malik, being an insider, by virtue of his position as Vice President and Head of International Sales



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at JSGCL, had passed on/disclosed the inside information relating to large trading orders received from foreign clients to his sister, based on which she indulged in insider trading and earned significant amount of profit. Consequently, SCN was issued to the Respondent to explain as to why action should not be taken against her under Section 15E 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.

10. The Respondent provided her written response to SCN dated June 18, 2011, wherein the following submissions were made:

- (a) *The Respondent admitted that she sought help in trading from her brother, Mr. Muhammad Atif Malik.*
- (b) *The Respondent asserted that she was not aware of the consequences of such type of action as she was not aware of the rules and laws.*
- (c) *Finally, the Respondent admitted her offence and assured that she would refrain from all such actions in the future.*
- (d) *The Respondent prayed that a lenient view may be taken in the matter.*

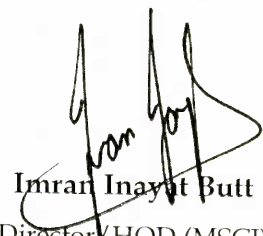
11. On the date of hearing, father of the Respondent, Mr. Sher Mohammad Malik ("**Authorized Representative**") appeared before me and reiterated the submissions as made in the written reply stated above. The Authorized Representative assured that in the future the Respondent would be more vigilant and would not be involved in any kind of violation of law. Additionally, the Authorized Representative prayed that keeping in view the submissions in the case, the Commission may take a lenient view in this matter.

12. I have examined the facts, evidences and documents on record, in addition to written and verbal submissions of the Respondent. It is established that Mr. Muhammad Atif Malik 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 Mr. Muhammad Atif Malik provided information relating to large trading orders of foreign clients to the Respondent. Subsequently, the Respondent indulged



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- in insider trading in her account on the basis of the inside information and earned significant amount of profit of approximately Rs. 534,200.
13. 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 her offence, in exercise of powers under Section 15E of the Ordinance, I hereby impose on the Respondent a fine of Rs. 550,000/- (Rupees Five Hundred and Fifty Thousand Only) for contravention of sub-section (1) of Section 15A of the Ordinance.
14. In the similar measure, the Commission has also taken enforcement action against Mr. Muhammad Atif Malik and has imposed fine on him for passing on/disclosing inside information pertaining to foreign clients' large trading orders to the Respondent under Section 15E (3) of the Ordinance.
15. This matter is disposed of in the above manner and the Respondent is directed to deposit the fine as mentioned in paragraph 13 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.
16. 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.