



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Securities Market Division
Market Supervision and Capital Issues Department

Before The Director/HOD(MSCID)

In the matter of Show Cause Notice issued to

Live Securities Limited, TREC Holder of Karachi Stock Exchange Limited

Date of Hearing:

November 13, 2012

Present at the Hearing:

Representing the Live Securities Limited

(i) Mr. Altaf Husein Kapadia

Chief Operating Officer

(ii) Mr. Muhammad Rizwan

Manager Accounts

(ii) Mr. Naeem Yahya

Head of Settlement

Assisting the Director/HOD (MSCI)

(i) Mr. Muhammad Tanveer Alam

Joint Director

(ii) Mr. Kashif Ali

Deputy Director

(ii) Mr. Adnan Ahmed

Deputy Director

ORDER

1. This order shall dispose of the proceedings initiated 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**") through Show Cause Notice bearing No. SMD-/MS&CID-C&IW/10-1(152)/2012 dated September 20, 2012 ("**the SCN**") issued to Live Securities Limited ("**the Respondent**"), Trading Right Entitlement Certificate Holder ("**TREC**") of Karachi Stock Exchange Limited ("**KSE**") and registered as a broker with the Commission under the Brokers Rules.
2. The brief facts of the case are that the Commission in exercise of the powers under Sub Section (1) of Section 6 of the Ordinance vide Order No. SMD-/MS&CID-

C&IW/10-1(124)/2012 dated July 09, 2012 appointed, under Rule 05 of Stock Exchange Members (Inspection of Books and Record) Rules, 2001 (“**the Inspection Rules**”), the following three officers of the Commission as inspectors to conduct inspection of books of accounts and other documents required to be maintained by the Respondent under the Ordinance:

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

(hereinafter referred to as “**Inspectors**”)

3. During the course of subject Inspection, it was noted that the Respondent did not cooperate with the Inspectors by not providing majority of information/documents/details/explanations/clarifications, as required by the Inspectors. Said noncooperation placed significant limitation over the Inspectors’ abilities to conclude their report in respect of the Respondent’s compliance status with applicable Regulatory Framework.
4. The Inspectors, in view of aforesaid non-provision of information, vide their emails dated August 27, 2012, August 28, 2012, August 29, 2012, September 03, 2012 and September 05, 2012, advised the Respondent to provide information/ documents/ clarification/explanations. Finally, vide letter dated September 11, 2012, they advised the Respondent to provide information and necessary record for the purpose of said Inspection including Standardized Account Opening Forms of its clients, clients’ ledgers, clarifications/explanations regarding identified transactions etc., on or before September 14, 2012 which the Respondent failed to provide.
5. Non provision of the information against the Commission’s various emails and letter, clearly showed that the Respondent had failed to cooperate with the Inspectors in inspection initiated by the Commission. In view thereof, a SCN dated September 20, 2012 was issued to the Respondent under Section 22 of the Ordinance stating that the Respondent has prima facie contravened the provisions of sub-section 3 of Section 6 of the Ordinance and Rule 8(x) of the Broker Rules.



6. The Respondent was asked to submit a written reply to the SCN within ten days to the date of SCN and its Chief Executive Officer was also required to appear in person or through an authorized representative before the undersigned at Commission's Islamabad Office on October 10, 2012, for a hearing. The Respondent through letter dated October 01, 2012 confirmed the attendance. However, the Respondent vide letter dated October 08, 2012 received by the Commission on October 10, 2012 requested to extend the hearing date for 15 days. Therefore, the date of hearing was changed on the Respondent's request. Subsequently, the venue of hearing was changed on the Respondent's request from Islamabad to Karachi and the hearing was held at Commission's Karachi Office on November 13, 2012. The hearing was attended by Mr. Altaf Husein Kapadia, Mr. Muhammad Rizwan and Mr. Naeem Yahya ("**the Representatives of the Respondent**") on behalf of the Respondent.
7. The Respondent did not submit its written reply in response to the SCN. However, Representatives of the Respondent, during the course of hearing, made the following submissions:-
- (i) The Representatives apologized for delay in providing information and reiterated that delay was not intentional and repeatedly explained the circumstances which were causing the delay.
 - (ii) The Representatives accepted that the some of information is not available with the Respondent, that could not be provided. However, the Respondent committed and ensured the Commission to provide the required details/documents and information within short time.
 - (iii) The Representatives assured to provide full cooperation in completing the inspection initiated by the Commission and further assured that they will provide any information and details to the Commission whenever asked by the Commission to provide.
 - (iv) The Representatives prayed that the Commission may take lenient view in this matter and drop the proceedings because the delay in providing the required information/details is unintentional.
8. Considering the facts and thoroughly evaluating the evidence/information available on record and after perusal of assertions made by the Representatives of the Respondent



during the course of hearing, it is established that the Respondent did not cooperate with the Inspectors and not provided the necessary data/information as required by the Inspectors, hence violated Sub-section 3 of Section 6 of the Ordinance and Rule 8 of the Brokers Rules.

Sub-section 3 of 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 require.”

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.”

9. Section 22 of the Ordinance provides that:

“.....if any person refuses or fails to furnish any 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 contravenes or otherwise fails to comply with the provisions of this Ordinance or any rules or regulations 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.”


10. The violation of the Rules and Regulations is a serious matter which entitles the Commission to even suspend the Respondent's Membership/Trading Right Entitlement but I have elected not to exercise this power at present. However, taking a



lenient view in the matter, in exercise of the powers under Section 22 of the Ordinance, I hereby impose on the Respondent a penalty of Rs. 100,000/= (Rupees Hundred Thousand only). I direct the Respondent to fully cooperate with the Inspectors and provide all the requisite information and necessary record for the purpose of this inspection. I further 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 punitive action under the law.

11. 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.
12. The order is issued without prejudice to any or all actions that the Commission may initiate under the law against the Respondent, its individuals, directors, officers or any other person on the matters subsequently investigated or otherwise brought to the knowledge of the Commission.




Imran Inayat Butt
Director/HOD (MSCID)

Announced on November 26, 2012
Islamabad.