

BEFORE THE DIRECTOR (INVESTORS COMPLAINT WING, SECURITIES
MARKET DIVISION, SECP)

IN THE MATTER OF SHOW CAUSE NOTICES DATED APRIL 29, 2010,
ISSUED TO M/S.DARSON SECURITIES (PVT) LTD, MEMBER
LAHORE STOCK EXCHANGE (G)LIMITED AND MR.SAJID
MAHMOOD.

Date of Hearing :	May 31, 2010
<u>Present at the Hearing:</u>	
<u>Authorized Representative of Darson Securities (Pvt.) Limited (Respondent No 1)</u>	Mr. Babar Mushtaq Khan, on the behalf of the Respondent No 1
<u>Alleged Agent of the Respondent No 1</u>	Mr. Sajid Mahmood Naz, The Respondent No 2
<u>Assisting the Director (ICW):</u>	Tahir Mahmood Kiani, Deputy Director Asima Wajid, Deputy Director

ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice No. SM/LSE-C/38/2009 dated April 29, 2010 issued to Darson Securities, Private Limited (the Respondent No 1) and Mr. Sajid Mahmood (the Respondent No 2) under Section 22 (C) for violation of Section 5(A) of Securities & Exchange Ordinance 1969 (the Ordinance). Vide Show Cause it was alleged that the Mr. Sajid Mahmood was trading on the behalf of investors by using name and style of Darson Securities.

2. Brief facts of the case are as under:-
- i) The Securities & Exchange Commission of Pakistan (hereinafter referred as "the Commission") received a complaint from Mr. Muhammad Nasir (resident of Gojara, Dist. Toba Take Sing) on April 4, 2010, alleging that Mr. Muhammad Sajid Mahmood Naz is dealing in securities as a agent under the name and style of M/s. Darson Securities and providing services to the public for purchase and sale of securities at the Stock Exchange.
 - ii) An undisclosed visit of premises/office of Mr. Sajid Mahmood Naz revealed that Mr. Sajid displayed copy of a fake certificate, showing Mr. Sajid Mahmood as agent of M/S Darson Securities (Private) Limited (BRL-38). As per our

record no such certificate or registration issued to Mr. Sajjad Naz as agent of Darson Securities (Private) Limited.

3. The Commission took notice of the violation of 5A of Ordinance and issued a Show Cause Notice and Prohibitory order dated April 29, 2010, to Darson securities Private Limited and Mr. Sajid Mahmood Naz. Contents of SCN issued to the respondents are reproduced as under:-

WHEREAS, it has come to the notice of the Securities and Exchange Commission of the Pakistan ("the Commission") that you Mr. Muhammad Sajid Mahmood is dealing in securities as a agent under the name and style of M/s. Darson Securities and involved in activities ancillary thereto by providing services to the public for purchase and sale of securities at the Stock Exchange. This complaint/fact has been reported by Mr. Muhammad Nasir resident of Gojra District Toba Take Sing.

WHEREAS, in order to confirm the allegations leveled against you in the aforesaid complaint, an undisclosed visit of your premises/office was conducted. Pursuant to said visit report, it has been transpired that Mr. Sajid is carrying on business as Agent of M/s. Darson Securities (Pvt.) Limited and also displayed copy of a fake certificate, showing Mr. Sajid Mahmood as agent of M/s. Darson Securities (Private) Limited (BRL-38). As per our record no such certificate or registration issued to Mr. Sajjad as agent of Darson Securities (Private) Limited.

WHEREAS, Section 5A of the Securities and Exchange Ordinance 1969 ("the Ordinance") provides that no person shall act as broker or agent to deal in the business of effecting transactions in securities unless he is registered with the Commission in such manner, on payment of such fees and charges and such conditions as may be prescribed.

Now, therefore, upon the facts as reported by the complainant and our officer. I am of the opinion that prima-facie it establishes that Mr. Sajid is dealing in securities illegally and without due authorization, in violation of Section 5A of the Ordinance.

In view of the above, you are hereby prohibited under Section 20 of the Ordinance to effect dealings in any securities on behalf of investors/clients with immediate effect. Further, you are called upon to clarify, in writing within 07 days, as to why proceedings may not be initiated against you under Section 22 for violation of Section 5A of the Ordinance. You may appear in person or through an authorized representative before the undersigned on 07.05.2010 at 11.00 am at 9th Floor, NIC Building, Jinnah Avenue, Blue Area, Islamabad.

4. The Respondents 1 vide its letter dated May 3, 2010, replied show cause letter and explained inter alia that they had never authorized any person to operate any branch office under the name and style of our company at Gojra. As per our record, Mr. Sajid is one of our online clients. Based on your prohibitory order/show cause dated April 29, 2010, we have stopped him to carry on any further transactions in his online account. The Respondent No 1 further requested to the Commission to take lenient view against them as it is an act of Mr. Sajid and not our company. Broker further requested to arrange hearing in Karachi.

5. The Respondent No 2 vide his letter dated May 5, 2010 also denied allegations leveled in Show Cause and stated that he is an individual person not working as agent of any securities company and not indulged in any dealing of securities on the behalf of investors/clients. He mainly deals properties and grain market, however, he also opened online trading account with Darson securities from about two months.

6. The Respondents were provided an opportunity of hearing and accordingly hearing was held on May 31, 2010 at 11.00 am at Commission HQ office Islamabad. Mr. Babar Mushtaq Khan appeared on behalf of the Respondent No. 1 and Mr. Sajid Mahmood Naz appeared personally. Both the respondents repeated almost all the submissions earlier made through written reply. Following are main points recorded in response to queries raised by the undersigned:-

The undersigned inquired from Mr. Babar Mushtaq (the Representative of the Respondent No1) that Mr. Sajid is/was your authorized agent? Mr. Babar Mushtaq Khan clarified that Mr. Sajid is not and was never our accredited agent. However, Mr. Babar confirmed that Mr. Sajid has an online account with Darson securities. The undersigned sought detail of actions taken when the matter/complaint came in the knowledge of Darson Securities. Mr. Babar replied that in response to SECP's order we have stopped account of Mr. Sajid to carry on any further transactions in his online account. Mr. Babar further stated that it is difficult to indentify unauthorized trading through online. The undersigned further sought status about any advertisement published by broker in newspapers as precautionary measures in order to safeguard the general public. Mr. Babar replied in negative.

Mr. Sajid clarified that he has a small office at the 2nd floor and deals in trading of Soya Supreme oil, Gee and oil etc. He has also interest in stock market and has online trading accounts in different securities companies' i.e. Darson Securities and Stock Master Securities. He is operating his account from home and from his office. His friends Mr. Imran Anwar and Muhammad Afzal have also online accounts with Darson Securities and are trading through his computer placed at his office but insisted that they use their own account for trading at his office. Both friends have separate and independent accounts with Darson Securities and their trading accounts are 26097 and 26095 respectively. He categorically denied that he never used name of Darson Securities and never traded on behalf of other investors. Mr. Sajid assured that he will not use any name, title and monogram of any broker and will not indulge such activities. However, on a query that why he is using visiting card with the title/name of Darson Securities. He clarified that he was interested to get agent-ship of M/s. Darson Securities therefore, he got visiting cards printed in advance.

7. The Respondent No 1 vide its letter dated June 3, 2010 intimated that they have notified/clarified in Urdu daily The Jang dated June 2, 2010 that they neither had any office in Dist. Gojra nor they had authorized any person to deal on our behalf.

8. The undersigned has checked record available on file and convinced that accounts of Mr. Sajid, Mr. Imran Anwer and Muhammad Afzal are separate and independent accounts with the Respondent No 1. It has been further noted that as per our record no complaint of aforesaid investors and any other person have been received so far against the Respondents. However, only referred complaint of Mr. Muhammad Nasir was received without mentioning any account, claim/loss and proper address. Moreover, the Complainant was also requested to provide any evidence regarding alleged agent/brokerage house. No response was received sofar by the Commission. Hence, the Commission took cognizance of the matter in order to protect the investor's interests.

9. In view of foregoing and stances and assurance of Respondents and observing that no complaints against the Respondents have been received sofar to the Commission, a lenient view is being taken. The Respondent No 2 is hereby warned and prohibited to effect dealings in any securities on behalf of investors/clients without having formal registration of agent-ship with the Commission. The Respondent No 1 is also directed to observe strictly all rules and regulations and discharged its responsibilities with due care, skill and diligence as required in issue of illegal brokerage houses and device a mechanism in future to counter and monitor the activities of illegal brokerage houses, using their illegal name and style.

10. The order is issued without prejudice to any other action that Commission may initiate against the Respondents in accordance with law on matters subsequently taken up or investigated and/ or brought to the knowledge of the Commission.


Shaukat Hussain
Director SMD

Announced on
September 08, 2010.