



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
NIC BUILDING BLUE AREA, ISLAMABAD

Before the Joint Director (Self Regulatory Organizations Department)

In the matter of Show Cause Notice No.SMD/SE/2(207)2009 dated 26-04-2010 issued to 1. Muhammad Latif and 2. Muhammad Inam herein after referred as "Respondents" of Ravi Oil Cake Traders, under Section 22 of the Securities and Exchange Ordinance, 1969 (the "Ordinance") for violating section 3(1) of the Ordinance.

Date of hearing : 22-10-2010

Present at hearing:

Representing the applicant : No one appeared

Assisting the Joint Director (SROD) : Taimur Saeed, Junior Executive (SROD)

ORDER

1. The matter arises from the above mentioned show cause notice served upon :
 - I. Muhammad Latif s/o Muhammad Ali bearing NIC No. 35102-6801911-3 at the address P-19-S-42, Gali Tarkhanwali, Mohallah Rukun Din, Kasur as given in Partnership Deed dated 15-02-2007.
 - II. Muhammad Inam s/o Muhammad Islam bearing NIC No. 35102-6038226-7 at the address House No. II-13-R-47-b-4, Shah Anayat Colony, Khara Road, Kasur as given in Partnership Deed dated 15-02-2007.
2. Facts of the case are that a complaint dated 03-03-2010 was filed by one Muhammad Akram Raza ("Complainant") before the Securities and Exchange Commission of Pakistan (Commission) against M/s. Ravi Oil Cake Traders. From the contents of the said complaint read with the documents attached therewith it transpired that M/s Ravi Oil Cake Traders being a

partnership firm registered with Registrar of firms on 15-02-2007 having its office at P-124, Faridi Plaza, Gali No. 9, Wakeelan Wali, Katchehry Bazar, Faisalabad, with Muhammad Latif and Muhammad Inam (Respondents) as partners, have been involved in listing / transacting standardized contract lots of Oil Seed Cake with the characteristics of 'Commodity Futures Contracts' as defined in section 2(cd) of the Ordinance read with section 3(1) of the Ordinance. In this regard, Section 3(1) of the Securities and Exchange Ordinance, 1969 (the Ordinance) stipulates that:

3(1) "No Exchange shall operate or carry on its functions, and no person shall use or utilize, for the purpose of any transaction or dealing in any security, the facilities or services of a Exchange, unless such Exchange is registered under this Ordinance"

3. The complainant, in addition to the above documentary evidences, also provided printed Contract Specifications for the Oil Seed Contract bearing the name 'Ravi Oil Cake Traders' along with printed Broker Receipt with Serial No. 47 bearing the name 'Ravi Oil Cake Traders'. This prima facie established that illegal commodity futures trading in contravention of law, was being conducted by the Respondents in the name and style of Ravi Oil Cake Traders.

4. Also the Complainant brought to notice of the Commission, a Writ Petition No. 19277 of 2009 disposed of by the honorable Lahore High Court Lahore vide orders dated 07-10-2009, wherein Respondent No 1 (Muhammad Latif) was the petitioner in the said petition. Respondent No.1 (Muhammad Latif) clearly and categorically admitted in paragraph 2 of this writ petition that he was "a director of Messers Ravi Oil Cake Traders having its registered office at P-123 Faridi Plaza Gali No.9 Wakeelan Wali, Kutchehry Bazar, Faisalabad having its branch office at 23 second floor Civic Centre Barkat Market Garden Town Lahore". Respondent Muhammad Latif further admitted in paragraph 3 of the said writ petition that "the firm is doing business of oil seed cake in the market. The firm also provides the facility of future trading of oil seed cake to its customers. The firm is doing its business for almost last 4 year, and has earned a very good reputation in the market". In the said writ petition at paragraph No 4 the respondent also admitted that "it may be pertinent to mention here that the firm got the signatures of all its customers, upon an agreement, who engaged in the business of future trading". The admissions of the respondent Muhammad Latif as stated in the said writ petition prima facie established that

the firm M/s Ravi Oil Cake Traders through its partners namely Muhammad Latif and Muhammad Inam were involved in illegal trading and execution of commodity future contracts in violation of section 3(1) of the Ordinance.

5. In view of the above facts, the Commission issued a Prohibitory Order dated 26-04-2010 under section 20 of the Ordinance against the Respondents directing them to refrain from dealing/trading and all ancillary transactions in commodity futures on behalf of general investors/traders. Additionally, through the same order, the Respondents were called upon to clarify in writing within seven days as to why proceedings may not be initiated against them under section 22 of the Ordinance for violation of section 3(1) of the Ordinance. An opportunity of hearing was provided by the Commission to the Respondents on 05-05-2010 to appear either in person or through an authorized representative. However, neither the hearing was attended by the Respondents or their authorized representative, nor was any written clarification received by the Commission from or on behalf of the Respondents.

6. Second opportunity in the matter was provided to the Respondents through notice dated 12-05-2010 to appear on 19-05-2010. On 19-05-2010 the Respondents through letter stated that they (presently) had no concern or relationship with Ravi Oil Cake Traders. Thereafter, a written response dated 26-05-2010 was received from Muhammad Latif requesting for extension in the hearing date. In the said written response, the Respondent Muhammad Latif stated that he had no association with Ravi Oil Cake Traders (presently) and that he had no interest with Ravi Oil Cake Traders. Through this response the Respondent Muhammad Latif also requested for copies of the Show Cause Notice. Accordingly, third hearing opportunity was provided to the Respondents on 07-09-2010. On 06-09-2010 the Commission received a written reply from the Respondents in respect of the aforementioned Prohibitory Order/Show Cause Notice. However, neither the Respondents nor anyone on their behalf appeared before the Commission on the fixed date of hearing i.e. 07-09-2010. A fourth time hearing opportunity was provided to the Respondents on 27-09-2010. Whereas, the Respondents had initially claimed no relation with Ravi Oil Cake Traders vide letter dated 19-05-10, they subsequently requested for extension in the hearing opportunity while also providing legal grounds for operating commodity futures business as highlighted in Point 9 (i-v) below, which prima facie indicates relationship of the Respondents with Ravi Oil Cake Traders

7. Once again the Respondents failed to appear on the fourth hearing opportunity, citing medical grounds vide their letter dated 25-09-2010 and requested further extension of two weeks to respond. A fifth time opportunity of hearing was given on 16-10-2010 but the same also remained unattended.

8. Still taking a lenient stance and in order to reach a considered and reasonable conclusion in the matter, the Commission provided last and final opportunity of hearing to the Respondents to appear either in person or through an authorized representative on 22-10-2010. However, neither the Respondents nor anyone on their behalf appeared on the said date of hearing.

9. I have examined the written responses submitted by the Respondents who have contended that:


- i) There is no exchange for any commodity future dealings which might fall under the provisions of the Ordinance.
- ii) The concept of trading in 'Oil Seed Cake' does not equate with the terminology of Securities as per Section 2 Clause (1) of the Ordinance.
- ii) The respondents do not fall within the grasp of the provisions of the Ordinance.
- iii) The respondents could not be attributed for running of any stock exchange under the name and style of Ravi Oil Cake Traders.
- iv) The Respondents had never got themselves registered under the Ordinance.
- v) The Respondents had never got themselves registered as brokers or agents under the Ordinance. So therefore they do not come under the umbrella of the Ordinance.
- vi) The Respondents requested for dropping the proceedings.



10. The Respondents were given a number of opportunities to appear before the Commission however they failed to do so. The partnership deed dated 15-02-2007 show that the Respondents are partners of M/s Ravi Oil Cake Traders which is a partnership firm registered with the Registrar of Firms. This fact is also admitted by Respondent Muhammad Latif in the aforementioned writ petition. The documentary evidence on the record read with the admissions of the Respondent Muhammad Latif made in the aforementioned Writ Petition has not been rebutted by the Respondents. The record, documentary evidence including printed contract specifications/broker receipt read with the categorical and specific admissions of the Respondents in the said Writ Petition as reproduced hereinabove as well as their admissions at Paragraph 9 (v and vi) above show that the Respondents have violated sections 3(1) of the Ordinance.

11. Having considered what has been established above, I am of the considered view that Ravi Oil Cake Traders and Respondents having willfully and blatantly violated provision of Sections 3(1) of the Ordinance, and are liable to be penalized under Section 22 of the Ordinance.

12. Accordingly in view of the above and in the interest of the capital markets and to safeguard the interest of common investors, the Respondents are directed to forthwith refrain and stop from operating and carrying on any of the functions of the illegal commodity exchange. Furthermore, a penalty of Rs.5,000,000/- (Rupees five million) each is imposed on Muhammad Latif and Muhammad Inam, partners in Ravi Oil Cake Traders under section 22 of the Ordinance. Both the partners are directed to deposit the aforesaid penalty in the designated bank account of the Securities and Exchange Commission of Pakistan maintained with MCB Bank Limited within thirty days of the issue of this Order and furnish receipted challan to the Commission.


Tariq Soomro
Joint Director (SROD)

Announced on 05-01-2011
Islamabad.