



Before

Abid Hussain - Head of Department (MS & SID)

In the matter of Show Cause Notice issued to AKD Securities Limited

Date of Hearing

October 03, 2014

Present at the Hearing

- a. Mr. Muhammad Farid Alam - Chief Executive Officer
- b. Mr. Naveed Anjum - Head of Compliance

Assisting Head of Department (MS & SID)

- a. Mr. Amir Saleem - Deputy Director (MS & SID)

ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice No. SMD/AKDCL/12-559 dated July 09, 2014 ("SCN") issued by Securities and Exchange Commission of Pakistan (the "Commission") under Rule 4 of Securities and Exchange Rule 1971 (the "Rules") read with Section 22 of the Securities and Exchange Ordinance, 1969 (the "Ordinance") to AKD Securities Limited ("AKDSL").

2. Brief facts of the case are that the Commission issued Enquiry Order No. AKDCL/MSW/SMD/2012/01, dated May 15, 2012, under Section 21 of the Ordinance read with Section 29 of the Securities and Exchange Commission of Pakistan Act 1997, to enquire into the dealings, business or other transactions pertaining to the shares of AKD Capital Limited, for the period starting from January 01, 2008 to June 30, 2009.

3. Pursuant to the above mentioned Enquiry Order, Investigation Officer ("IO") filed an Investigation Report with the Commission, wherein it has been stated Mr. Usman bearing CNIC No. 42301-1068613-9, resident of House No. 501, Hina Garden, Garden West Karachi, opened his trading account on November 07, 2001 with AKDSL, a Trading Right Entitlement Certificate Holder/broker of Karachi Stock Exchange (G) Ltd and is registered with the Commission as broker under the Brokers and Agent Registration Rule 2001. Mr. Usman had been maintaining a Sub-account No. 813 with AKDSL.

4. IO reported that Mr. Usman is an active client of AKDSL and places huge orders for purchase and sale of securities. Pursuant to the Enquiry, the IO reported that AKDSL was asked to furnish the documentary evidence for recording of such orders placed by Mr. Usman as required to be maintained by the brokerage house pursuant to Rule 4 of the Rules. AKDSL, however failed to provide the aforesaid record with regard to the orders placed for



Securities and Exchange Commission of Pakistan

Securities Market Division

Market Surveillance & Special Initiative Department

buy and sell of securities by Mr. Usman and stated that Mr. Usman used to come in and sit in the office premises and placed his orders directly.

5. Considering the above facts, a SCN was issued to AKDSL through its Chief Executive Officer calling upon to explain as to why penal action may not be taken for contravention of the aforesaid provisions of the Rules, within fourteen days from the date of the SCN.

6. AKDSL in response to the SCN sought extension of twenty (20) days to file the reply which was granted vide letter dated July 25, 2014 with advice to submit the response latest by August 15, 2014. AKDSL vide letter dated August 18, 2014 submitted its response and provided the Order Register of Mr. Usman as required to be maintained under Rule 4 of the Rules.

7. Considering the reply of the SCN, hearing in the matter was fixed on September 22, 2014 at the Regional office of the Commission 5th Floor, State Life Building # 2, Wallace Road Karachi. AKDSL in reply, requested for extension of ten (10) days owing to the reason that CEO of AKDSL is out of country. Hearing in the matter was again fixed on October 03, 2014, at the Commission office 9th Floor, NIC Building, Jinnah Avenue Blue Areas Islamabad.

8. AKDSL, in reply requested to conduct the hearing in Karachi or via video link between Karachi-Islamabad. The said request of AKDSL was acceded to and the hearing was scheduled on October 03, 2014 via video link between Karachi - Islamabad.

9. Hearing was attended by Mr. Muhammad Farid Alam, CEO and Mr. Naveed Anjum Head of Compliance of the AKDSL. During the hearing proceedings, CEO of AKDSL was asked as to why the Order Register of Mr. Usman was not furnished to IO. The CEO in reply clarified that in past AKDSL was not able to comprehend the information desired by IO however now in the SCN it was categorically stated that the Order Register required to be maintained under Rule 4 of Rules was not provided therefore the same was be furnished to the Commission. The CEO also affirmed that all the information pertaining to this case have been and will be provided whenever same will be required.

10. It is imperative here to quote the relevant provisions of the Rules. Sub-rule 1 of Rule 4 of the Rules stipulates that:

All orders to buy or sell securities which a member may receive shall be entered, in the chronological order, in a register to be maintained by him in a form which shows the name and address of the person who placed the order, the name and number of the securities to be bought or sold, the nature of the transaction and the limitation, if any, as to the price of the securities or the period for which the order is to be valid.

11. It is the prime responsibility of the broker to keep record of all trading activities including orders, being carried out through its brokerage house. Proper order register helps to maintain the clients' record in a transparent and organized manner. It is pertinent to mention that every member of the exchange is accountable for each and every trade executed through its house. Therefore it is imperative for the broker to maintain records that should



Securities and Exchange Commission of Pakistan

Securities Market Division

Market Surveillance & Special Initiative Department

adhere to the rules and regulations. It is also the duty of the broker to maintain high standards of integrity, promptitude and fairness in the conduct of its business and keep relevant record of all transactions in a manner prescribed by law.

12. I have examined the record available with the Commission, documents submitted in reply to the SCN and the arguments given during the hearing proceedings. At the outset, it is noted that AKDSL failed to provide the said register to the IO during the recording of statement and even in response to the letter dated June 07, 2013. The IO in his said letter categorically asked to provide the documentary evidence maintained pursuant to Rule 4 of the Rules in support of the statement given by the CEO during the recording of statement that Mr. Usman himself used to place orders for trading in shares of the Company during January 2008 to June 2009. However, AKDSL in response, vide its letter dated July 19, 2013 stated that Mr. Usman was a sit in client and did not furnish the order register. These facts clearly indicate that the required register was not maintained at relevant time. However, considering the fact that AKDSL eventually provided the Order Register of Mr. Usman, I hereby close the proceeding with warning to the AKDSL and advice to ensure compliance of requirement of laws in future.

ABID HUSSAIN

Head of Department - MS & SID

Announced on October 29, 2014
Islamabad