

SECP

Through Courier

**Before The Director/HOD (MSSID)**  
**In the matter of Show Cause Notice issued to**  
**SAZ Capital Securities (Private) Limited**

**Date of Hearing:**

September 25, 2014

**Present at the Hearing:**

Representing SAZ Capital Securities (Private) Limited

i) *Mr. Adnan*

*Manager Operations, SAZ Capital Securities (Private) Limited*

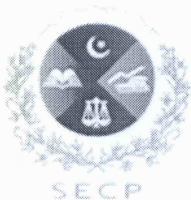
Assisting the Director/ HOD (MSSID)

i) *Mr. Aoun Abbas Zaidi*

*Assistant Director, MSSID*

**ORDER**

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(57)/Hascol/MSW/SMD/2014 dated July 24, 2014 ("**SCN**") issued by the Securities and Exchange Commission of Pakistan ("**Commission**") under Brokers and Agents Registration Rules, 2001, ("**the Brokers Rules**") to SAZ Capital Securities (Private) Limited ("**the Respondent**").
2. The brief facts of the case are that the Respondent is a member of Karachi Stock Exchange (Guarantee) Limited ("**KSE**") and is registered with the Commission under the Brokers Rules. During the Book Building Process ("**BBP**") of Hascol Petroleum Limited ("**HPL**") it was noted that the Strike Price of HPL was discovered at Rs. 56.50 with a significant increase of 182.5% against the Offer Price of Rs. 20.00. BBP data was procured from the relevant authorities and it was observed that some of the individuals and institutions frequently raised their bid price soon after discovery of strike price leading to impression of manipulating the Strike Price, therefore, an inquiry was initiated into the matter through inquiry order dated March 26, 2014.
3. During the inquiry the Respondent vide letters dated April 08, 2014 and April 15, 2014 was advised to provide information regarding the Book Building of HPL, including Bid Application, Bid Revision Forms, Copies of Financial Instruments deposited, Banks Statements of the



**Securities and Exchange Commission of Pakistan**  
**Securities Market Division**  
Market Surveillance and Special Initiative Department

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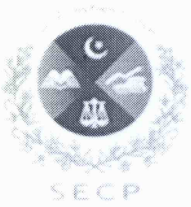
Brokerage House for the month of February and March, 2014, trading ledgers for the period from March 01, 2014 to March 15, 2014, Back office ledgers of clients and banks for the month of February and March, 2014 and Research Reports issued in the last 3 month, if any. The Respondent submitted the requisite information vide letters dated April 10, 2014 and April 18, 2014.

4. Upon analysis of the relevant documents and data, the Enquiry Officers observed that the Respondent had placed an initial bid for 2,613,000 shares, which constituted 2.16% of the total shares offered through the BBP; however 405,000 shares were finally allocated to the Respondent through the BBP. It was observed that certain clients had deposited funds during the first week of March 2014, whereas, the same amount of funds were returned to them in the second week of March 2014. This fact gave the impression that, *prima facie*, the Respondent, has placed a consolidated bid, therefore, the Respondent was required by the Enquiry Officers to appear before them on May 20, 2014, for recording of statement under Section 32 of the Securities and Exchange Commission of Pakistan Act, 1997, during which the Respondent apprised the Enquiry Officers that he placed a bid in the BBP through his proprietary account on behalf of its clients however, due to the surge in the price, the clients withdrew their consent.
5. In light of the aforementioned, the SCN was issued to the Respondent. The Respondent was asked to submit a written reply within fifteen days from the date of the SCN. The Respondent submitted its written response to the SCN, vide letter dated August 18, 2014, stating that clients of the Respondent were interested to buy the shares at the level of Rs. 30.00 to Rs. 35.00, however, due to surge in price, clients withdrew their consent and shares allocated were bought by the Respondent.
6. Subsequently, a hearing in the matter was fixed on September 25, 2014 at the Commission's Karachi Office. The hearing was attended by Mr. Adnan ("Manager Operations of the

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Securities Market Division  
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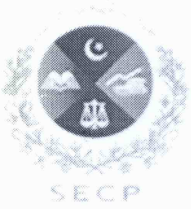
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Respondent") who submitted the same stance which was taken in the letter dated August 18, 2014 in reply to the SCN and conceded that the requirements of clause (2.2) of the prospectus was not followed.

7. After a detailed and thorough perusal of facts, written submission of the Respondent and the contention made by the Respondent during the course of hearing, it is evident that the Respondent placed a consolidated bid during the BBP of HPL on behalf of its clients. The matter was of prime importance keeping in view the sensitivity of scrip of HPL in terms of its subsequent impact on the market statistics. Book Building system has been introduced in Pakistan Capital Market in order to discover the price of particular scrip by high net worth individuals and institutions through a transparent mechanism based on demand for that scrip. BBP gives privilege to investors to arrive at a price based on the quality and quantity of the bids given by the investors having more knowledge about the scrip and have more risk appetite, compared to retail investors. The price discovered through the BBP leaves enough space for retail investors to invest in the scrip bringing more liquidity in the stock market resulting in better returns for the market investors at large. The Respondent placed bids in the BBP of HPL on behalf of retail investors, having less market research and risk appetite as evident from the response, and thus defeated the spirit of price discovery. I am of the considered view that if small retail investors would have not participated in the BBP, as a herding behavior was evident from their participation, the price would not have reached at such a high level.
8. The Respondent being a corporate member should conduct its business with diligence and ensure full compliance of the laws and relevant rules and regulations. It is prime responsibility of the Respondent to monitor all trading activities being carried out through its brokerage house and keep track of any transaction which is being made with a view to create any misleading impression or is in violation of the law.

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9. In the instant case, the Respondent has admitted its default for violating clause 2.2 of the prospectus of HPL in respect of consolidation of bid. Keeping in view the admittance by the Respondent and the fact that the Respondent has shown their intention to ensure compliance with the provisions of laws in future, I hereby take a lenient view and instead of imposing fine issue a stern warning to the Respondent. Further, I also direct the Respondent to ensure full compliance of all rules, regulations and directives of the Commission in the future.

**Abid Hussain**  
Director/HOD (MSSID)

**Announced on October 24, 2014**  
**Islamabad.**

Copy to: SAZ Capital Securities (Private) Ltd,  
607 - 608, 6<sup>th</sup> Floor, Stock Exchange Building,  
Stock Exchange Road,  
Karachi.