



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Before The Director/HOD (Market Supervision & Capital Issues Department)
In the matter of Show Cause Notice issued to Adeel & Nadeem Securities (Pvt.) Limited

Date of Hearing:

February 14, 2012

Present at Hearing:

Representing Adeel & Nadeem Securities (Private) Limited

(i) *Mr. Ali Bakhsh Khokhar*

Manager Accounts

Assisting the Director/HOD (MSCID)

(i) *Mr. Umair Zahid*

Assistant Director

ORDER

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. Misc/MSW/SMD/1 (5) 2004/1480 dated February 03, 2012 ("SCN") under Rule 8 (a) & (b) of the Brokers and Agents Registration Rules, 2001 ("**the Brokers Rules**") issued by the Securities and Exchange Commission of Pakistan ("**the Commission**") to Adeel & Nadeem Securities (Private) Limited ("**the Respondent**").
2. At the outset, it is important to elucidate the facts of the case. The Respondent is a member of Lahore Stock Exchange (Guarantee) Limited and is registered with the Commission as a broker under the Brokers Rules. On January 18, 2012, the Commission advised the Respondent to provide specific information relating to its client namely Mr. Khurram Shahzad Sindhu ("**the Client**") bearing client code 2751. The information sought by the Commission was vis-à-vis the Client's account opening forms, trading statement, financial ledger and receipts & payments statement for the period from January 01, 2011 to December 31, 2011.



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3. The Chief Executive of the Respondent, vide letter dated January 23, 2012 ("**First Letter**"), provided incomplete information in relation to the trading statement and financial ledger as it pertained only for the period from January 01, 2011 to June 30, 2011. The Chief Executive of the Respondent further stated in the said letter that no payment or receipt was recorded for the Client during the period from January 01, 2011 to December 31, 2011.
4. The Commission vide letter dated January 25, 2012, advised the Respondent to provide the remaining information pertaining to trading statement of the Client, which was not provided with the First Letter. In response, the Chief Executive of the Respondent, in its letter dated January 26, 2012 ("**Second Letter**") provided the remaining financial ledger for the Client, which showed nil activity. Further, as per the information provided regarding the financial ledger, no transaction was conducted by the Client during the period from July 01, 2011 to December 31, 2011.
5. Contrary to the assertions made by the Respondent in the First and Second Letters regarding no payment/receipt activity for the Client, the banking record available with the Commission revealed that the Respondent had made three different payments in the name of the Client totaling Rs. 3,696,000 vide cheques during the period from October 31, 2011 to November 03, 2011. It was also observed that the reason submitted to the Bank Alfalah Limited ("**the Bank**") about making these payments by the Respondent was identified as "client business" and "stock trading" and the relationship with the account holder, i.e. the Client, was mentioned as "client".
6. Consequently, the Respondent was informed vide letter dated January 30, 2012 about the submission of misleading and incorrect information and misrepresentation it had made through the First and Second Letters by mentioning that it had made no payment to the Client during the period from January 01, 2011 to December 31, 2011. The Respondent was advised to provide its explanation along with documentary evidence as to non-provision of accurate and complete information to the Commission as required vide letter dated January 18, 2012. However, in complete disregard to the basic requirement of the Commission's letter, the Respondent vide letter dated February 01, 2012 obstinately stated that the payments highlighted by the Commission in its letter dated January 30, 2012 do not pertain to client



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- code 2751, therefore, this information is not supposed to be provided to the Commission. Resultantly, the Respondent willfully withheld the information relating to the nature of cheque payments made to the Client.
7. In view of the above conduct of the Respondent of not providing complete and accurate information and concealing the required information from the Commission, the subject SCN was issued to the Respondent to show cause as to why action should not be taken against it under Rule 8 (a) & (b) of the Brokers Rules. The Chief Executive of the Respondent was afforded an opportunity of hearing and was directed to appear in person or through an authorized representative before the undersigned at the Commission's Islamabad Office on February 14, 2012.
8. The Respondent submitted the written reply to SCN which was received on February 14, 2012, the key points of which are summarized as follows.
- (a) *The Respondent asserted that it had provided all information relating to Client 2751 to the SECP as required vide its letter dated January 18, 2012 and duly facilitated SECP in this regard.*
- (b) *The Respondent further mentioned that since the information relating to cheques mentioned by SECP in letter dated January 30, 2012 did not pertain to client 2751, therefore, we did not provide the same to SECP.*
- (c) *The Respondent pointed out that it had checked its record and the subject payments highlighted by SECP pertain to another client of the Respondent namely Mr. Adnan Ahmed bearing client code 0467, who had requested the Respondent to issue cheques in the name of Mr. Khurram Shahzad/Hafiza Maryam.*
- (d) *The Respondent mentioned that the cheques issued to Mr. Khurram Shahzad/Hafiza Maryam were received personally by Mr. Adnan Ahmed and provided the copies of the receipts and requests made by Mr. Adnan Ahmed in this respect.*
- (e) *The Respondent mentioned that it was not aware that the account bearer Khurram Shahzad/Hafiza Maryam is the same as its client 2751, where his name was mentioned as Mr. Khurram Shahzad Sindhu.*



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9. On the hearing date, Mr. Ali Bakhsh Khokhar (“**Authorized Representative**”) appeared before me and reiterated the written submissions made on behalf of the Respondent, as mentioned above. The Authorized Representative admitted that the Respondent should have provided the necessary explanation and documents in response to the Commission’s letter dated January 30, 2012 instead of refusing to supply the information pertaining to the payments made to the Client. Further, the Authorized Representative prayed that a lenient view may be taken in the matter.
10. I have examined the facts, evidence and documents available on record, in addition to written and verbal submissions made on behalf of the Respondent.
11. In reference to the contention raised by the Respondent that it was only supposed to provide information pertaining to client 2751 to the Commission, it is noted that the Commission vide its letter dated January 30, 2012, clearly mentioned the dates of the cheques written in the name of the Client and the total amount of such cheques to avoid any doubt about the information requirements of the Commission. Moreover, in all the correspondence of the Commission addressed to the Respondent, the name of the client Mr. Khurram Shahzad Sindhu was clearly stated to enable the Respondent in providing the accurate and complete information pertaining to him. Therefore, the stance of the Respondent has no merit.
12. The stance taken by the Respondent that it did not know that the account holder “Khurram Shahzad/Hafiza Maryam” addressed by its client Mr. Adnan Ahmed was the same as the Client, “Mr. Khurram Shahzad Sindhu” is untenable. The perusal of the record transpires that the account opening form of the Client with the Respondent clearly mentions in his nominee, the name of his wife, “Mrs. Hafiza Maryam Khurram”. Moreover, the Client in the account opening form has also provided the same bank account, in which the Respondent was submitting the cheques on behalf of Mr. Adnan Ahmed.
13. Additionally, the perusal of the record available with the Commission further corroborates this fact that the Respondent had identified the account holder “Khurram Shahzad/Hafiza Maryam” as its Client while submitting cheques in the Bank, because the Respondent wrote the cheques in the name of “Khurram Shahzad/Hafiza Maryam Khurram” (emphasis added),



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whereas the request made by Mr. Adnan Ahmed was to make cheques in favour of "Khurram Shahzad/Hafiza Maryam".


14. From the information provided in the account opening form with the Respondent, the manner in which the cheques were written and the information disclosed by the Respondent to the Bank, it is abundantly clear that the Respondent was fully aware of the identity of the ultimate beneficiary of the payments requested by Mr. Adnan Ahmed and that was none other than the Client.
15. In light of the above, it is established that the Respondent had complete idea of the information required by the Commission as mentioned above, and the person concerning whom the Commission was seeking information and record. In spite of this, the Respondent failed to submit the accurate and complete information and knowingly failed to provide the same to the Commission.
16. Moreover, in no less measure it is noted by this office, that failure to provide information to the Commission is a clear violation of clause D (2) of the Code of Conduct prescribed in the Broker Rules read with Rule 8 (ii) and (iv) which is punishable under Rule 8 (a) & (b) of the Broker Rules. Further, providing information to the Commission that is wrong and false as provided in Rule 8 (viii) of the Brokers Rules is a ground for imposition of penalty under Rule 8 (a) & (b) of the Broker Rules.
17. In view of the aforementioned contraventions, whilst giving due consideration to the prayer of the Authorized Representative on behalf of the Respondent a lenient view in the matter is taken and instead of suspending the Respondent under Rule 8 (a) of the Broker Rules, in exercise of powers under Rule 8 (b) of the Brokers Rules, I hereby impose on the Respondent a penalty of Rs. 50,000/- (Rupees Fifty Thousands Only). In addition, the Respondent is strictly advised, that it is legally binding upon it to follow the regulatory framework, the dictates of which emphasize on exercising due skill, care and diligence and maintenance of high standard of integrity, professionalism and fairness in the conduct of its business at all times. Accordingly, the Respondent is strongly advised to ensure compliance with applicable



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- legal regime and directives of the Commission in the future for avoiding any punitive action under the law.
18. 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.
19. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.




Imran Inayat Butt
Director/HOD (MSCID)
Securities Market Division

Announced on February 24, 2012
Islamabad.