



Securities and Exchange Commission of Pakistan

Adjudication Division
Adjudication Department-I

Before Shauzab Ali, Commissioner (SMD)

In the matter of Show Cause Notice issued to Spectrum Securities Ltd.

Dates of Hearing

January 5, 2021

Order-Redacted Version

Order dated February 9, 2021 was passed by Commission (SMD) in the matter of Spectrum Securities Ltd. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated October 7, 2020
2. Name of Company	Spectrum Securities Ltd.
3. Name of Individual*	The proceedings were initiated against the company i.e. Spectrum Securities Ltd.
4. Nature of Offence	In view of alleged violation of under section 150 of the Securities Act, 2015 (the Act) through SCN dated October 7, 2020 and order dated February 9, 2021 was passed.
5. Action Taken	Key findings were reported in the following manner: I have examined the submissions made in writing and during the hearing as well as issues highlighted in the SCN and requirements of the Rules and Regulations. The facts of the case may be summarized as under: i. With regard to the trading activity in the client accounts despite presence of debit balances, the respondent during the hearing admitted the negligence on its part. The Respondent submitted that due to lack of enforcement on debit financing, certain accounts were allowed to trade on debit balances. However, subsequent to strict actions against debit financing and restrictions placed by the Regulations in 2017, it had stopped the practice of providing of trades. All debit trading has now been shifted to MTS and MFS. The Respondent in support of its claim also provided a copy of decision on the system audit report under PSX ballot & PSX 007 dated January 06, 2020 where the broker was largely found compliant with regard to clause 19.5 of the PSX Rulebook and NCCPL Regulations for collection of margins from clients on



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	<p>timely basis. The same does not relate to the instances of trading on debit basis as identified during the inspection. The Respondent had allowed certain debit trades during the review period and also admitted the same during the hearing proceedings. Therefore, contravention of Rule 34 of the Rules has been established.</p> <p>ii. With regard to trading without authorization in one of the client accounts, the Respondent during the hearing contended that it had already obtained an undertaking from the client at the time of account opening on February 01, 2017 wherein the client had authorized her son to carry out trading activity. The undertaking was also submitted in reply to the SCN. however, the analysis of the account opening form reveals that the section pertaining to "power of attorney" was left blank at the time of account opening in February, 2017 and therefore, the authorization did not appear on the account opening form due to which such instance was highlighted by the inspection team. The Respondent had not incorporated the details of the authorized person on its account opening form.</p> <p>2. In view of the foregoing and admission made by the Representative, contraventions of the provisions of Rule 34 of the Rules have been established against the Respondent. Therefore, in terms of power conferred under section 150 (2) of the Act, a penalty of Rs.500,000/- (Rupees Five hundred thousand only) is hereby imposed on the Respondent. The Respondent is directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited within 30 days of date this Order and furnish the original deposit challan to this Office.</p> <p>3. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.</p> <p>Penalty order dated February 9, 2021 was passed by Commission (SMD)</p>
6. Penalty Imposed	A Penalty of Rs.500,000/- (Rupees Five hundred thousand only) was imposed on the respondent.
7. Current Status of Order	Appeal has been filed by the respondent.