



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Say No to Corruption

Before

**Shahzad Afzal Khan, Director/Head of Department (Adjudication-I)**

In the matter of

**Dawood Securities Limited**

Number and date of Show Cause Notice (SCN)	1(183)SMD/Adj-1/KHI/2019-793 Dated February 16, 2023
Date of Hearing:	August 01, 2023
Present at the Hearing:	Mr. Salman Yaqoob, CFO & Company Secretary (Authorized Representative)

## **ORDER**

### **UNDER SECTION 159 OF THE SECURITIES ACT, 2015**

This Order shall dispose of the proceedings initiated against Dawood Securities Limited (**the Company and/or the Respondent**) through Show Cause Notice No. 1(183)SMD/Adj-1/KHI/2019-793 dated February 16, 2023 (**the SCN**) issued under Section 159(3) & (5) of the Securities Act, 2015 (**the Act**) on account of alleged contraventions of Section 64 of the Act and Regulation 3 of the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017 (**the Regulations**).

2. Brief facts of the case are that the Respondent was granted license to act as underwriter on January 11, 2017 for a period of three years and having validity till January 10, 2020 under the repealed Underwriters Rules, 2015.

3. The Securities and Exchange Commission of Pakistan (**the Commission**) vide S.R.O. 295(I)/2017 dated May 02, 2017 promulgated the Regulations. In terms of Regulation 3 of the Regulations, a person registered as an underwriter prior to coming into force of these Regulations, shall be deemed to be licensed as an underwriter under these Regulations and shall comply with all the requirements of these Regulations within a period of one year from the date of coming into force of these Regulations.

4. The Respondent shared its credit rating report dated June 29, 2017 with the Commission, which revealed that it failed to meet the minimum credit rating requirement of A- (long term) and A2 (short term) as required under clause 2(3)(ii) of Schedule-1 of the Regulations. The Respondent achieved the required rating on September 24, 2021 as evident from the Pakistan Credit Rating Agency Limited (**PACRA**) report.

5. Subsequently, the Respondent vide application dated September 27, 2021 applied for grant of license in terms of regulation 4 and 5 of the Regulations to act as an underwriter. Review of the application and data submitted by PSX revealed that the Respondent provided following underwriter services even after the expiry of its license on January 10, 2020:





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S. No	Date	Name of Company
1	February 07, 2020	Sazgar Engineering Works

6. The non-compliance of the aforementioned provisions of the Regulations were communicated to the Respondent vide email dated October 26, 2021. The Respondent provided its reply vide letter dated November 01, 2021 however, the justification provided by the Respondent with regard to the validity of its license were not found valid. The Respondent, *prima facie*, contravened the provisions of Section 64 of the Act and Regulation 3 of the Regulations which attracts applicability of penal provisions contained in Section 159(3) and 159(5) of the Act.

7. In response to SCN, the Company vide letter dated April 04, 2023 submitted its reply, summarized as under:

- The company initiated the credit rating process as required by the 2017 Public Offering Regulations and received the necessary rating and SECP license on November 12, 2021. Despite challenging economic conditions, it actively engaged in 11 underwriting transactions.
- Previously addressed an issue in a letter dated November 01, 2021, regarding an email from October 26, 2021. Importantly, their previous license was never revoked, and their name remained on the SECP's approved underwriters list.
- The company explains that underwriting commitments are made well in advance, with actual fundraising occurring later, as was the case with Sazgar.
- Requested the withdrawal of the SCN based on these grounds and the fact that the SECP has re-issued their license after reviewing the matter, including the Sazgar issue, and finding it compliant.

8. The Respondent was provided opportunity of personal representation and the hearing was fixed in the matter for August 01, 2023 which was attended by Mr. Salman Yaqoob, Chief Financial Officer & Company Secretary, as an Authorized Representative (**the Representative**) of the Respondent. During the course of hearing, the Representative was advised to explain the reasons for the alleged non-compliances, as narrated in the SCN. The Representative reiterated the written argument submitted earlier in response to the SCN and admitted the oversight on part of the Company. The Representatives submitted that subsequently they did not provide any underwriting service to another company till the renewal of its license in November, 2021. Consequently, the Representative requested to condone the oversight and requested to take a lenient view in the matter.

9. I have gone through the facts of the case and considered the submissions of the Company and Representative both written and verbal in light of the applicable provisions mentioned in the preceding paras and the available record and noted as under:

- The Company registered as an underwriter prior to coming into force of the Regulations, deemed to be licensed as an underwriter under and was required to comply with all the requirements of these Regulations within a period of one year from the date of coming into force of these Regulations.
- Moreover, the Company failed to meet the minimum credit rating requirement and achieved the required rating on September 24, 2021 as evident from the Pakistan Credit Rating Agency Limited PACRA report.
- After meeting the required rating, the Company was granted license in November, 2021.





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- However, the Company has provided underwriting services to one company even after the expiry of the license, thus carry out regulated securities activity without having the license.

10. In view of the foregoing and the verbal submissions made by the Company and the Representative, non-compliance/ contravention of the provisions Section 64 of the Act and regulation 3 of the Regulations have been established and same have also been admitted by the Representative. Therefore, in exercise of the powers conferred upon me under Section 159(3) & (5) of the Act, I hereby impose a penalty of **Rs. 50,000/- (Pak Rupees Fifty Thousand Only)** on the Respondent.

11. The Respondent is hereby directed to deposit the aforesaid fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and furnish receipted voucher issued in the name of the Commission for information and record.

12. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law(s) on matter subsequently investigated or otherwise brought to the knowledge of the Commission.

(Shahzad Afzal Khan)  
Director/ Head of Department  
(Adjudication Department-I)



**Announced:**  
September 6, 2023  
Islamabad