



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SECURITIES MARKET DIVISION

Before the Executive Director (Securities Market Division)

In the matter of Show Cause Notice issued to

Munaf Sattar Securities (Private) Limited

Under Rule 8 read with Rule 12 of the Brokers and Agents Registration Rules, 2001 ("the Brokers Rules")

Number and date of Notices	SMD-SOUTH/SCN/100/07 dated August 01, 2007
Date of hearing	August 13, 2007
Present	Mr. Munaf Sattar-CEO and Mr. Saleem Chamdia
Date of Order	October 12, 2007

ORDER

1. This order shall dispose of the proceedings initiated through Show Cause Notice SMD-SOUTH/SCN/100/07 dated August 01, 2007 issued to Munaf Sattar Securities (Private) Limited (the "**Respondent**") by the Securities and Exchange Commission of Pakistan (the "**Commission**") under Rule 8 of the Brokers Rules for violation of Rule 12 of the Brokers Rules and Clause A5 of the code of conduct contained in the Third Schedule to the Brokers Rules
2. Brief facts of the case are that the Respondent is a member of the Karachi Stock Exchange (Guarantee) Limited ("**Exchange/KSE**") and is registered with the Commission under the Brokers Rules. An enquiry was initiated by the Commission in exercise of its powers under Section 21 of the Securities and Exchange Ordinance, 1969 read with Section 29(2) of the Securities & Exchange Commission of Pakistan Act, 1997 ("**the SECP Act**") and A. F. Ferguson & Co. ("**the Enquiry Officer**") was appointed as the Enquiry Officer under the above mentioned section inter alia:
 - a) to enquire into the dealings, business or any transaction by the Broker during the period from April 1, 2006 to June 15, 2006 ("**the Review Period**").
 - b) to identify any and all the acts or omissions constituting the violation of the Securities and Exchange Ordinance, 1969 ("**1969 Ordinance**") and the Rules made thereunder.

- c) to identify violations of any other applicable laws, including but not limited to the Brokers Rules and Regulations for Short Selling under Ready Market, 2002 ("2002 Regulations").
3. The findings of the Enquiry Officer revealed several instances of potential non compliances with applicable laws and regulations. A copy of the Enquiry Officer's report was sent to the Respondent under cover of a letter dated April 30, 2007 which required the Respondent to provide explanations on the observations of the Enquiry Officer together with supporting documents.
4. After perusal of the Respondent's replies to the above mentioned letter, which did not adequately explain the position in respect of some instances, a Show Cause Notice was issued to the Respondent under Rule 8 of the Brokers Rules stating that the Respondent has prima facie contravened Rule 12 of the Brokers Rules read with Clause A5 of the code of conduct contained in the Third Schedule to the Brokers Rules which are reproduced as under:
- Rule 12-** " A broker holding a certificate of registration under this rules shall abide by the code of conduct specified in the Third Schedule"
- Clause A5 of the code of conduct-**"A broker shall abide by all the provisions of the Act and the rules, regulations issued by the Commission and the stock exchange from time to time as may be applicable to them".
5. The Respondent was called upon to show cause in writing within seven days and appear before the Executive Director (SMD-South) on August 13, 2007 for a hearing, to be attended either in person and/or through an authorized representative.
6. The hearing was held on August 13, 2007 which was attended by Mr. Munaf Sattar, Chief Executive Officer and Mr. Saleem Chamdia the Representatives of the Respondent, who submitted a written reply and argued the case.
7. A summary of the contentions that were raised by the Respondent in the written submissions and during the hearing and findings and conclusion of the Commission on the same is as follows:



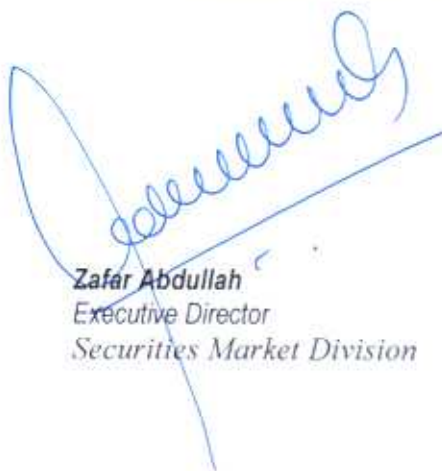
8. Blank Sales

8.1 In terms of Regulation 4 of the 2002 Regulations, blank sales are not permissible. The findings of the Enquiry Officer revealed 5 instances of blank sales during the Review Period in respect of which no evidence was submitted by the Respondent to the Commission.

The Respondent made the following submissions on this Issue:

- The Respondent contended that these transactions were a result of error and no significant profit was realized out of these transactions.
- The Respondent further contended that the magnitude and quantum of the above mentioned instances were not so significant to affect public interest.

8.2 The Enquiry Officer's report mentioned 553 instances of potential blank sales. Pursuant to the Commission's letter dated April 30, 2007 valid evidences were provided by the Respondent in respect of majority of these instances, except in the case of instances as mentioned above which were accepted as errors, which demonstrated the willingness of the Respondent to cooperate with the Commission and abide by the laws and regulations. Considering these facts and low magnitude and frequency of instances of blank sales whereby it is established that the blank sales were a result of error and did not represent any intention of distorting the market or damaging public interest, I am inclined, on this occasion, to take a lenient view in the matter and will not take any punitive action under Rule 8 of the Brokers Rules.



Zafar Abdullah
Executive Director
Securities Market Division