



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Adjudication Department

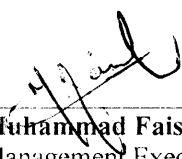
No. 2(132)SMD/ADJ/2019

June 19, 2019

Pervez Ahmed Capital (Pvt.) Limited
Through its Chief Executive Officer,
20-K, Gulberg II,
Lahore.

SUBJECT: Order in Respect of Show Cause Notice dated April 19, 2019 Bearing Number No. 2(132) SMD/ADJ/2019

Please find enclosed herewith a copy of order dated June 18, 2019 the title matter for your record and necessary action.



Muhammad Faisal
Management Executive



Securities and Exchange Commission of Pakistan
Securities Market Division

Through Courier

Before the Commissioner (SMD)

In the matter of Show Cause Notice issued to Pervez Ahmed Capital (Private) Limited under section 69 read with section 152(b) and section 156(1) of the Securities Act, 2015 and Regulation 4 (e) and Regulation 10 of Securities Brokers (Licensing and Operations) Regulations, 2016.

ORDER

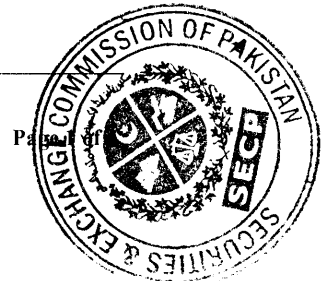
This Order shall dispose of the proceedings initiated pursuant to Show Cause Notice No. 2 (132) SMD/ADJ/2019, dated April 19, 2019 (the "SCN"), issued by Securities and Exchange Commission of Pakistan (the "Commission") to Pervez Ahmed Capital (Private) Limited (the "Respondent") for *prima facie* violations under Section 69 read with Section 152 (b) and Section 156 (1) of the Securities Act, 2015 (the "Act") and Regulation 4 (e) and Regulation 10 of Securities Brokers (Licensing and Operations) Regulations, 2016 (the "Licensing Regulations 2016").

2. Brief facts of the case are that the Respondent is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange Limited ("PSX") and licensed as a securities broker with the Commission.

3. Pakistan Stock Exchange ("PSX") forwarded an application of the Respondent for renewal of license as broker under the Licensing Regulations 2016 dated December 14, 2018. During the course of review it was observed that the Credit Information Bureau (CIB) report of the Respondent dated October 28, 2018 reflect an amount of Rs. 97.8 million and Rs. 60 million, respectively, overdue more than 365 days. The Respondent in its letter dated October 28, 2018 also admitted the same as highlighted. The contents of the letter are reproduced below:

- i. D S Industries Limited has completely paid off its liability towards Al-Baraka Bank (Pakistan) Limited (Formerly Burj Bank Limited) according to the repayment schedule however, some amount appearing in the CIB which will also be cleared in future.
- ii. The Respondent has also overdue liability with Al-Baraka Bank (Pakistan) Limited (Formerly Burj Bank Limited) which is also in a process of settlement.

4. Regulation 4 (e) of the Licensing Regulations 2016 requires that "*the applicant, its sponsors, directors and senior management officers are fit and proper persons as per the criteria specified in Annexure B.*"





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5. Regulation 9 (5) of the Licensing Regulations 2016 provides that;
"The Commission upon being satisfied that the applicant continues to meet the requirements for licensing, is in compliance with the provisions of the Act, the Futures Act, any rules, regulations, notifications, directives, guidelines or codes issued thereunder and it is in the public interest and interest of the capital market, may renew the licence of a securities broker as recommended by the securities exchange for another calendar year and convey the same to the securities exchange for onward dissemination to all stakeholders."

6. Section 69 of the Act empowers the Commission to refuse the application for renewal of license if the Fit and Proper criteria is not met. The relevant provision is reproduced hereunder:

"(l) Subject to the provisions of this Act, the Commission may, on an application duly made in accordance with section 68, grant the licence or refuse the application."

7. Section 152 of the Act empowers the Commission to cancel the license of a regulated person. The relevant provision is reproduced hereunder:

"Other circumstances for disciplinary action in respect of licensed persons.—(l)
Subject to section 151, the Commission may cancel the license, whether in relation to all or any of the activities for which he is licensed, or suspend his licence, whether in relation to all or any of the activities for which he is licensed, for such period or until the occurrence of such event as the Commission may specify, if(b) where the regulated person is a company,
(iv) the Commission has reason to believe that the company or any of its directors or employees has not performed his duties honestly and fairly;
(vi) the company is in breach of this Act, any rule or any regulation made under this Act,
(ix) by reason of any other circumstances, the company is no longer a fit and proper person to hold a license."

8. Subsequently, a SCN was served to the Respondent dated April 19, 2019 under Section 69 read with Section 152(b) and Section 156 (1) of the Act and Regulation 4(e) and 10 of the Licensing Regulations, 2016, whereby, it was called upon to explain as why the application for renewal of license of the Respondent may not be refused/cancelled.

9. The Respondent submitted its response vide letter dated May 13, 2019 and made the following submissions:

1. *The Company itself is clean and there is nothing overdue to any financial institution.*



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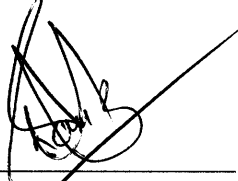
- II. *D.S. Industries Limited and Pervez Ahmed Limited are separate entities and any legal implication on their part should not be affected to the Respondent.*
- III. *D.S. Industries Limited has completely paid off its liability towards Al-Baraka Bank (Pakistan) Limited and after making last payment of Rs. 1,153,100 there is nothing outstanding.*
- IV. *The Company has no liability towards Al-Baraka Bank (Pakistan) Limited and Suit filed by Al-Baraka Bank (Pakistan) Limited in this respect is being contested by the Respondent and the same is pending adjudication before the honourable Lahore High Court.*

10. The Respondent was accorded hearing opportunity on May 24, 2019. The Respondent vide letter dated 3 June 2019 requested to accept their written submission against the SCN. Moreover, the Respondent requested time till the next renewal to clear overdue amounts appearing in the CIB Report.

11. I have analyzed the facts of the case, relevant provisions of the Act and the Licensing Regulations and the arguments put forth by the Respondent. The Respondent has not disputed the fact that overdue amounts are appearing in its CIB. Therefore, the Respondent is non-compliant with the Fit and Proper Criteria specified in Annexure B of the Licensing Regulations 2016. The Licensing Regulations 2016 and Act does not provide any provision to accede the request of the Respondent to grant extension till the next renewal to clear overdue amounts appearing in the CIB Report. Therefore, the application of the Respondent is refused and its license stands cancelled with immediate effect. However, the Respondent can submit an application for issuance of fresh, if it desires so, in the future subject to compliance with the regulatory requirements.

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




Shauzab Ali
Commissioner (SMD)

Announced on June 18, 2019
Islamabad