

SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)
Market Supervision and Capital Issue Department

Before The Director / HOD (MSCID)

In the matter of Show Cause Notice issued to

Zafar Moti Capital Securities (Private) Limited

Date of Hearing:

December 28, 2011

Present at the Hearing:

Representing the Zafar Moti Capital Securities (Pvt.) Limited

Mr. Zafar Moti

Chief Executive Officer

Assisting the Director (SMD)

Mr. Muhammad Ali

Deputy Director

ORDER

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(07) BS/KSE/MSW/SMD/2009/ dated November 22, 2011 (“**SCN**”) issued to Zafar Moti Capital Securities (Private) Limited (“**Respondent**”), corporate member of the Karachi Stock Exchange (Guarantee) Limited (“**KSE**”) by this office in exercise of powers of the Securities and Exchange Commission of Pakistan (“**Commission**”) under Rule 8 of the Brokers and Agents Registration Rules, 2001 (“**Brokers Rules**”).
2. The brief facts of the case are that the Respondent is registered with the Commission under the Brokers Rules. On October 16, 2009 the Commission passed an order (“**Order**”) under Section 22 of the Securities and Exchange Ordinance, 1969 (“**Ordinance**”) against the Respondent and imposed a penalty of Rs. 400,000/- (Rupees Four Hundred Thousand Only). The Respondent was directed to deposit the said amount in the account of the Commission not later than thirty (30) days from the date of the Order and furnish a copy of the deposit challan to the Commission.
3. The Respondent filed an appeal under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (“**Act**”) before the Appellate Bench of the Commission against the aforementioned Order. The Appellate Bench vide order dated June 17, 2011 dismissed the appeal of the Respondent and upheld the Order dated October 16, 2009. The Respondent



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

(Securities Market Division)

Market Supervision and Capital Issue Department

- neither preferred an appeal under section 34 of the Act nor deposited the amount of penalty in the account of the Commission as directed through the Order dated October 16, 2009.
4. Accordingly, through letter dated August 04, 2011 the Respondent was directed to deposit the amount of the penalty, in response to which the Respondent vide its letter dated August 08, 2011 requested that the amount of penalty be divided into installments. This request was not accepted by the Commission and the same was duly communicated to the Respondent vide letter dated August 04, 2011. Further, the Respondent was again directed vide letter dated August 16, 2011 to submit the penalty amount imposed through the Order dated October 16, 2009 at the earliest, failing which the Commission would proceed in the matter in accordance with the relevant provisions of law.
 5. The Respondent vide letter dated August 17, 2011 requested two months time for submission of the penalty amount. The Commission vide letters dated September 09, 2011 and October 10, 2011 again directed the Respondent to submit the amount of the penalty at the earliest. However, despite repeated directions, the Respondent failed to deposit the amount of penalty and delayed the matter on one pretext or the other.
 6. Consequently, a SCN dated November 22, 2011 was issued to the Respondent under Rule 8 read with Rule 12 of the Brokers Rules requiring the Respondent to Show Cause in writing along with documentary proof in support thereof, within seven (7) days from the date of this notice, as to why action may not be taken against it on *prima facie* contravention of Clause D (1) (2) of the Code of Conduct set forth under the third schedule of the Brokers Rules and ground (ii) and (iv) of Rules 8 of the Brokers Rules. The Respondent was also directed to appear in person or through an authorized representative before at Commission's Head Office, Islamabad on December 02, 2011 at 11:00 a.m. for a hearing in the said matter.
 7. The Respondent vide letter dated November 23, 2011 requested to change the venue of hearing from Islamabad to Karachi for its convenience and the same was accepted by the Commission in the interest of justice. However, the Respondent failed to submit a written reply of the SCN as required.
 8. Subsequently, the hearing was held at Commission's Karachi Office on December 28, 2011, wherein the Respondent was represented by Mr. Zafar Moti, Chief Executive Officer of the Respondent ("CEO"). During the course of hearing, the CEO admitted the default and contended that due to the current stock market conditions the company is unable to deposit the

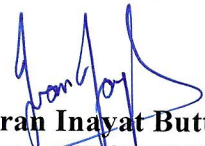


SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

(Securities Market Division)
Market Supervision and Capital Issue Department

amount of the penalty and requested more time for submission of the penalty amount. The CEO further requested that the amount of the penalty be divided into installments.

9. The admission of default and failure of the Respondent to deposit the amount of penalty and failure to comply with the directions of the Commission despite being afforded numerous opportunities to deposit the amount of penalty establishes that the Respondent has contravened clause D (1) (2) of the Code of Conduct set forth under the third schedule and rule 12 of the Brokers Rules.
10. The conduct of the Respondent of consistent and flagrant contravention of the direction of the Commission is appalling and deeply concerning. A broker holding a certificate of registration has to all times abide by the code of conduct specified in the Brokers Rules. It is the duty of each and every market participant to comply with the general and specific directions issued by the Commission. The repeated contraventions of the directions of the Commission and failure to comply with the directions of the Commission despite being afforded numerous opportunities to ensure compliance leaves this office with no doubt that the conduct of the Respondent is not proper, willful and is setting a negative precedence which is not in the interest of the public or the capital markets.
11. In view of the failure of Respondent to deposit the penalty amount despite repeated directions and despite being afforded numerous opportunities to ensure compliance, it is established that Respondent has violated ground (ii) and (iv) of Rule 8 of the Brokers Rules and has failed to comply with the requirements of the code of conduct laid down in the Third Schedule of the Brokers Rules. Therefore, in exercise of the powers under Rule 8 of Brokers Rules, the registration of the Respondent as a broker is hereby suspended from the date of this order for a period of fifteen (15) days, and the Respondent is directed to immediately deposit the amount of the penalty and furnish a copy of the deposit challan to this office failing which the registration of the Respondent as a broker will be cancelled in accordance with Rule 9 of the Brokers Rules.
12. 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 (MSCI)

Announced on December 28, 2011
Karachi.