



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

Before The Director (Securities Market Division)

In the matter of Show Cause Notice issued to

MRA Securities (Pvt.) Limited

Date of Hearing:

May 19, 2009

Present at the Hearing:

Representing the MRA Securities (Pvt.) Limited

(i) Mr. M. Farhan Rafiq

Chief Executive Officer

(ii) Mr. Kamran

Settlement Department

Assisting the Director (SMD)

(i) Mr. Waqar Ahmed Siddiqui

Joint Director

(ii) Mr. Adnan Ahmed

Assistant Director

(iii) Mr. Farhan Yacoob

Assistant Director

ORDER

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(11) DEL/LSE/MSW/SMD/2008/04 dated April 29, 2009 ("the SCN") issued to MRA Securities (Pvt.) Limited ("the Respondent"), Member of the Lahore Stock Exchange (Guarantee) Limited ("LSE") and Karachi Stock Exchange (Guarantee) Limited ("KSE") by the Securities and Exchange Commission of Pakistan ("the Commission") under Section 22 of the Securities and Exchange Ordinance, 1969 ("the Ordinance") and Rule 8 of the Brokers and Agents Registration Rules, 2001, ("the Broker Rules").
2. The brief facts of the case are that the Respondent is a member of LSE and KSE and is registered with the Commission under the Broker Rules. On the perusal of LSE trading data of March 26, 2009 it was observed that Respondent, in its Proprietary Account bearing code "056012", had been engaged in first placing 15 sale orders of 300,000 shares each from



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- 11:59:00 a.m. to 11:59:35 a.m. in the scrip of Bank Alfalah Limited ("BAFL") at the price of Rs. 15.12 and subsequently cancelling the same orders from 11:59:39 a.m. to 11:59:41 a.m.
3. The Respondent was requested, vide letter dated March 30, 2009 to provide documentary evidence to establish that the Respondent had pre-existing interest in the scrip of BAFL to the tune of 4,500,000 shares. The Respondent vide letter dated April 01, 2009 admitted its mistake and stated that all these sale orders were erroneously placed by one of its KATS Operator ("KO").
 4. Subsequently, on examination of LSE and KSE trading data for the month of March, 2009 it was observed that the Respondent was engaged in placing sale orders in its Proprietary Account in the shares of Fauji Fertilizer Bin Qasim Limited ("FFBL"), Arif Habib Securities Limited ("AHSL"), Jahangir Saddiqui Company Limited ("JSCL") to the tune of 500,000 shares each, Nishat Mills Limited ("NML") to the tune of 410,000 shares, Maple Leaf Cement Factory Limited ("MLCF"), Zeal Pak Cement Factory Limited ("ZELP"), Bank of Punjab ("BOP") to the tune of 300,000 shares each, and Oil and Gas Development Company ("OGDC") to the tune of 200,000 shares and subsequently cancelling the same sale orders.
 5. The Respondent was requested vide letter dated April 08, 2009 to provide documentary evidence to establish the pre-existing interest in the said shares. The Respondent vide its letter dated April 15, 2009 admitted its mistake and stated that all these sale orders were erroneously executed by the same KO and same mistake will not be repeated in future.
 6. Keeping in view the aforesaid, the Respondent was called upon to show cause in writing within seven days and appear before the undersigned at Commission's Islamabad office on May 15, 2009, for a hearing. However, the date and venue of hearing was changed. Subsequently, the hearing was held at Commission's Karachi Office on May 19, 2009, which was attended by Mr. Farhan Rafiq (the "CEO") and Mr. Kamran ("Settlement Manager") of the Respondent.
 7. The Respondent vide its written replies dated April 01, 2009 & April 15, 2009 and the CEO of the Respondent during the course of hearing stated that it was human error and all the sale orders were placed by one of its new KO. The CEO further explained that without knowing the sensitivity of the matter, the newly hired KO started placing sale orders of large quantities in difference scrips when their share prices were on lower Circuit Breakers and subsequently cancelled the same. The CEO further stated that as soon as the matter



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came into their notice they immediately fired the KO. During the course of hearing the CEO provided CDC Account Balance Statement of the house account of the Respondent as evidence of its pre-existing interest in the scrip of ZELP and OGDC. The CEO prayed that keeping in view the aforementioned assertions the Commission may take a lenient view in this matter because the said violations were result of ignorance and unawareness, without having any fraudulent intentions.

8. Considering the contentions made in written replies of the Respondent, and arguments and averments made by the CEO during the course of hearing it is established that the Respondent has placed the large sale orders and cancelled the same without having pre existing interest in its Proprietary Account except in the shares of ZELP and OGDC where the CEO provided documentary evidence upto the extent of 300,000 and 175,000 shares respectively. The contention of the Respondent that the Brokerage House is not involved in placing the sale orders and these were placed by the KO is not true. It may be noted that the Respondent is responsible for each and every order placed or trade executed through its terminals. Further, placement of the fictitious orders as mentioned in the SCN interfere in the fair and smooth functioning of the market and create misleading impression for the other investors. It is the prime responsibility of the Respondent to monitor all trading activities being carried out through its brokerage house in order to track any transaction being made with a view to create any misleading impression or fraudulent intention. Rule 12 of the Broker Rules requires that Respondent should abide by Code of Conduct set fourth under the Broker Rules ("Code of Conduct") and makes it mandatory on the Respondent to execute its business with due care and skill and to put in place proper systems and controls to ensure that its business is conducted according to the applicable Rules and Regulations. The placing of sale orders and then cancelling the same without having pre-existing interest shows that the Respondent has failed to conduct its business with due diligence, care and has interfered in smooth and fair functioning of the market. It was Respondent's responsibility to keep its KATS operators updated with the applicable rules and regulations to avoid any violation of the same. It was also the duty of the Respondent to maintain high standards of integrity, promptitude and fairness, in the conduct of its business and not created false market or indulged in any act detrimental to the investor's interest.
9. Therefore, keeping in view the aforementioned it is evident to me that the Respondent by placing the sale orders without having pre-existing interest has violated Clause A1, A2 and



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A4 of the Code of Conduct of the Broker Rules which in turn is a violation of Broker Rules. The Commission is empowered to take action, in public interest, under Rule 8 of the Broker Rules and Section 22 of the Ordinance.

10. The violation of the Rules and Regulations is a serious matter which entitles the Commission to suspend the Respondent's membership but I have elected not to exercise this power at present. However, in exercise of the powers under Section 22 of the Ordinance, I hereby impose on the Respondent a penalty of Rs. 200,000 (Rupees two Hundred Thousand only). I strongly advice the Respondent to take immediate measures and put in place proper checks and procedures, to eliminate the occurrence of such instances in future. I further direct the Respondent to ensure that full compliance be made of all rules, regulations and directives of the Commission in the future for avoiding any punitive action under the law.
11. The matter is disposed of in the above manner and the Respondent is directed to deposit the fine in the account of the Commission being maintained in the designated branches of MCB Bank Limited not later than thirty (30) days from the date of this Order and furnish the copy of the deposit challan to the undersigned.

Imran Inayat Butt

Director (SM)

Announced on June 09, 2009

Islamabad.