



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN  
(Securities Market Division)  
MARKET SUPERVISION & CAPITAL ISSUES DEPARTMENT

Before The Director (Market Supervision & Capital Issues Department)

In the matter of Show Cause Notice issued to

Mrs. Nasim Akhtar

Under Section 15E of the Securities & Exchange Ordinance, 1969

*Date of Hearing:*

*June 23, 2011*

*Present at Hearing:*

*Representing Mrs. Nasim Akhtar*

(i) *Mr. Sher Mohammad Malik*

*Representative*

*Assisting the Director (MSCID)*

(i) *Mr. Umair Zahid*

*Assistant Director*

**ORDER**

- 1 This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1 (7) IT/MSW/SMD/2011/02 dated June 08, 2011 ("SCN") under Section 15E of the Securities & Exchange Ordinance, 1969 ("the Ordinance") issued by the Securities and Exchange Commission of Pakistan ("the Commission") to Mrs. Nasim Akhtar ("the Respondent").
- 2 At the outset, it is imperative to give an account of the facts relating to the case. On perusal of trading data of Karachi Automated Trading System of Karachi Stock Exchange (Guarantee) Limited ("KSE"), it was observed that the Respondent traded extensively in shares of a number of companies. It was further noted that the trading by the Respondent was conducted through JS Global Capital Limited ("JSGCL"), which is a corporate member of KSE.



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- 3 The analysis of trading data revealed that the Respondent traded in her brokerage account from March 05, 2010 to April 12, 2011. The trading information further signified that a total of 203 trading instances were recorded in the account of the Respondent during 129 trading days. For the purpose of simplicity, a trading instance is taken to be the total trading conducted in a single scrip by the trader during a given day. It was noted that out of the total 203 trading instances, 184 trading instances involved where the Respondent purchased and sold exactly the same number of shares in a given scrip on the same trading day (“Day Trading”). The remaining 19 trading instances represented situations when purchase and sale quantities of shares in the account of the Respondent on a given trading day in a certain scrip did not set off completely (“Position Trading”).
- 4 A significant majority of trading in the account of the Respondent was directly synchronized with the placement of orders and trading of foreign clients of JSGCL. In addition to this, it was noted that a major portion of trading by the Respondent matched directly with the trading of foreign clients. In a coordinated manner, the Respondent used to place orders to purchase shares of companies around the same time when foreign clients were placing orders to purchase/sell shares of the same companies through JSGCL.
- 5 Out of the total 184 instances of Day Trading in the account of the Respondent, 161 instances were directly related to the trading by foreign institutional and individual clients of JSGCL. Moreover, from the 19 instances of Position Trading, 8 instances involved synchronization of trading and placement of orders by the Respondent with foreign clients. The Respondent transacted a total of 6,047,789 shares in 32 scrips in Day Trading Instances, which coincided with the placement of orders and trading by foreign clients. As a result of such Day Trading instances, the Respondent earned a cumulative profit of Rs. 3,939,473 in her account. The scrip-wise trading by the Respondent and the consequent profit earned is enumerated in the Table below.

Table-1

Sr.	Company Name	Traded Shares	Profit (Rs.)
1	Al-Abbas Cement Industries Limited	100,000	38,319
2	Allied Bank Limited	12,229	4,892



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3	Adamjee Insurance Company Limited	417,087	373,933
4	Azgard Nine Limited	200,000	5,672
5	Attock Petroleum Limited	15,905	18,630
6	Bank Al-Falah Limited	319,600	59,698
7	Dandot Cement Company Limited	1,690	(576)
8	EFU General Insurance	4,800	7,426
9	ENGRO Corporation Limited	246,003	211,505
10	Fatima Fertilizer Company	25,000	8,595
11	Fauji Fertilizer Company	175,000	348,794
12	Habib Bank Limited	49,000	27,626
13	Hub Power Company Limited	150,000	58,000
14	IGI Insurance Limited	20,472	8,373
15	Indus Motor Company Limited	54,699	126,150
16	JS Bank Limited	167,000	41,869
17	Jahangir Siddiqui & Company Limited	1,399,452	509,448
18	Kot Addu Power Company	380,000	251,075
19	Lucky Cement Limited	433,163	260,824
20	MCB Bank Limited	442,441	501,697
21	National Bank of Pakistan	61,000	43,624
22	Nishat Mills Limited	1,000	100
23	National Refinery Limited	4,000	5,521
24	Oil & Gas Development Co. Limited	239,611	124,345
25	Pakistan Int. Container Terminals	100	76
26	Packages Limited	36,000	86,519
27	Pakistan Petroleum Limited	59,000	77,673
28	Pak Suzuki Motor Company Limited	2,500	(90)
29	Pakistan State Oil	442,902	507,399
30	Pakistan Telecommunication Co. Ltd	265,000	78,757
31	Sui Northern Gas Pipelines Limited	70,000	46,982
32	United Bank Limited	253,135	106,617
<b>TOTAL</b>		<b>6,047,789</b>	<b>3,939,473</b>

6 It was noted that over 72% of the synchronized trading by the Respondent in the Day Trading instances matched directly with the corresponding trades of foreign clients. In addition to the same, majority of the trading by the Respondent and foreign clients was conducted through same terminal ID of JSGCL, i.e., REM14908, which is located at the Head Office of JSGCL, 6<sup>th</sup> floor, Faysal House, Shahrah-e-Faisal, Karachi.

7 It was further observed that the corresponding trading by foreign clients in the same trading instances as conducted in the account of the Respondent during Day Trading was quite



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significant. The trading of foreign clients in same trading instances as that of the Respondent amounted to over 106 million shares.

- 8 Considering the nature of trading by the Respondent and her connection with corresponding trading by foreign clients of JSGCL, the account details including account opening form, trading statement, financial ledger, copies of trading orders, and details of receipts and payments for the Respondent were obtained from JSGCL. The analysis of information received from JSGCL revealed that the Respondent had opened her brokerage account on March 02, 2010. In addition to this, it was also noted that the Respondent had her only active brokerage account at JSGCL and had very insignificant prior trading history. In addition to the information received from JSGCL, the identity details of the Respondent were also obtained from National Database and Registration Authority, which clearly revealed that the Respondent is the mother of Mr. Muhammad Atif Malik, who at the time of trading by the Respondent was the Vice President and Head of International Sales at JSGCL.
- 9 The trading pattern of the Respondent and its significant synchronization with trading of foreign clients of JSGCL along with the observation of strong relationship of the Respondent with Mr. Muhammad Atif Malik, *prima facie*, established that Mr. Muhammad Atif Malik, being an insider, by virtue of his position as Vice President and Head of International Sales at JSGCL, had passed on/disclosed the inside information relating to large trading orders received from foreign clients to his mother, based on which she indulged in insider trading and earned significant amount of profit. Consequently, SCN was issued to the Respondent to explain as to why action should not be taken against her under Section 15E of the Ordinance. The Respondent was required to appear in person or through an authorized representative before the undersigned at the Commission's Head Office on June 23, 2011 for a hearing.
- 10 The Respondent provided her written response to SCN dated June 18, 2011, wherein the following submissions were made:



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- (a) *The Respondent admitted that she sought help in trading from her son, Mr. Muhammad Atif Malik.*
- (b) *The Respondent asserted that she was not aware of the consequences of such type of action as she was not aware of the rules and laws.*
- (c) *Finally, the Respondent admitted her offence and assured that she would refrain from all such actions in the future.*
- (d) *The Respondent prayed that a lenient view may be taken in the matter.*
- 11 On the date of hearing, husband of the Respondent, Mr. Sher Mohammad Malik ("**Authorized Representative**") appeared before me and reiterated the submissions as made in the written reply stated above. The Authorized Representative assured that in the future the Respondent would be more vigilant and would not be involved in any kind of violation of law. Additionally, the Authorized Representative prayed that keeping in view the submissions in the case, the Commission may take a lenient view in this matter.
- 12 I have examined the facts, evidences and documents on record, in addition to written and verbal submissions of the Respondent. It is established that Mr. Muhammad Atif Malik was an insider by virtue of his position and employment at JSGCL, where normally he received material non-public information relating to large trading orders of foreign clients. It is further established that Mr. Muhammad Atif Malik provided information relating to large trading orders of foreign clients to the Respondent. Subsequently, the Respondent indulged in insider trading in her account on the basis of the inside information and earned significant amount of profit of approximately Rs. 3,939,473.
- 13 In view of foregoing, whilst giving due consideration to the prayer of the Respondent to take a lenient view in the light of Respondent's apologetic submission of her offence, in exercise of powers under Section 15E (1) of the Ordinance, I hereby impose on the Respondent a fine of Rs. 4,000,000/- (Rupees Four Million Only) for contravention of sub-section (1) of Section 15A of the Ordinance..



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- 14 In the similar measure, the Commission has also taken enforcement action against Mr. Muhammad Atif Malik and has imposed fine on him for passing on/disclosing inside information pertaining to foreign clients' large trading orders to the Respondent under Section 15E (3) of the Ordinance.
- 15 This matter is disposed of in the above manner and the Respondent is directed to deposit the fine as mentioned in paragraph 13 above 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.
- 16 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)  
Securities Market Division

Announced on August 11, 2011  
Islamabad.