



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

Before The Director (Securities Market Division)

In the matter of Show Cause Notice issued to

Plus Securities (Pvt.) Limited

Date of Hearing:

- (i) September 10, 2009
- (ii) October 21, 2009

Present at the Hearing:

Representing the Plus Securities (Pvt.) Limited

(i) Mr. Shahid Pervez Sheikh

Director

(ii) Mr. Abdul Majeed

Financial Consultant

Assisting the Director (SMD)

(i) Mr. Muhammad Ali

Deputy Director

ORDER

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(13) BS/LSE/MSW/SMD/2009/09 dated August 28, 2009 ("SCN") issued to Plus Securities (Pvt.) Limited ("Respondent"), Member of the Lahore Stock Exchange (Guarantee) Limited ("LSE") by the Securities and Exchange Commission of Pakistan ("Commission") under Section 22 of the Securities and Exchange Ordinance, 1969 ("Ordinance") and Rule 8 of the Brokers and Agents Registration Rules, 2001 ("Brokers Rules").
2. The brief facts of the case are that the Respondent is a member of LSE and is registered with the Commission under the Brokers Rules. On perusal of the trading data of the LSE for the month of June, 2009 it was noted that the client of the Respondent namely Mr. Manzer Shaffi ("Client") bearing code "0162" had been engaged in first selling and then squaring up his position to the extent of 51,000 shares, in the scrip of Arif Habib Securities Limited ("AHSL") during the month.



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3. The Commission vide letter dated August 10, 2009 sought clarification from the Respondent regarding the above mentioned sale by its client. The Respondent vide its reply dated August 18, 2009 informed the Commission that above mentioned sale transactions were wrongly posted by Computer Operator in account number 0162 instead of in-house sale transactions. The aforementioned reply of the Respondent was examined and was not considered satisfactory as same did not contain any evidence to prove pre-existing interest in the shares before sale nor did it provide any reasonable justification for execution of sale by the Respondent on behalf of its client.
4. Subsequently, the SCN was issued to the Respondent under Section 22 of the Ordinance and Rule 8 of the Brokers Rules stating that the Respondent has prima facie contravened Clause A (2) and A (5) of the Code of Conduct set forth under the third schedule of the Brokers Rules. The Respondent was required to appear in person or through an authorized representative before the undersigned at Commission's Islamabad Office on September 10, 2009. The hearing was held at the Commission's Islamabad Office on September 10, 2009 which was attended by Mr. Abdul Majid Khan ("Consultant of the Respondent") on behalf of the Respondent. However, the Consultant of the Respondent requested to adjourn the hearing to some suitable date in future because he has not received the relevant record from the Respondent. The next hearing was fixed on October 06, 2009 but the Respondent again requested to extend the date of hearing. Later, the final hearing was conducted at Commission's Islamabad office on October 21, 2009. Mr. Shahid Pervez Sheikh ("Director of the Respondent") and Consultant of the Respondent attended the hearing on the Respondent's behalf.
5. The Respondent vide its written reply dated August 18, 2009 and the Director of the Respondent during the course of hearing made the following submissions:-
 - (a) The Respondent in its written reply submitted that all the transactions were executed from Faisalabad Office. The Respondent stated that sale transactions of the shares of AHSL were wrongly posted by Computer Operator in account number 0162 of the Client instead of proprietary account of the Respondent. The Computer Operator realized the mistake and squared up the trade in panic and also did not inform the management at Lahore office or concerned settlement official of the Respondent. The mistake by the Computer Operator was not intentional but a human error. The management in absence of knowledge failed to inform LSE regarding correction in clients codes. The Respondent in its written



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reply further stated that at the time of sale of AHSL shares the Respondent had 71,250 shares of AHSL available in its CDC House Account.

(b) The Director of the Respondent during the course of hearing stated that all the transactions were erroneously executed by the Computer Operator and the Respondent was not aware of these transactions. The Director of the Respondent admitted the mistake and informed that the Respondent has fired the Computer Operator and also closed the operations of the brokerage house. Now the Respondent is no more an active member of the LSE.

(c) The Director of the Respondent asserted that there is no involvement of Respondent in the sale transactions and all the transactions were executed by the Computer operator. The Director of the Respondent prayed that keeping in view the aforementioned assertions the Commission may take a lenient view in this matter because the said trades were merely result of ignorance and unawareness, without having any fraudulent intentions.

6. After a detailed and through perusal of facts, evidence/information available on record and the contentions and averments made by the Director of the Respondent during the course of the hearing it is established that Computer Operator of the Respondent placed the sale orders in the client's account without having pre-existing interest. It was the 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. The Respondent should have immediately informed the LSE about the error made by the Computer Operator. Thus the Respondent by executing sales in the client's account has violated the Regulations which in turn is violation of Code of Conduct set fourth under the third schedule of Brokers Rules ("Code of Conduct") that makes it mandatory on the Respondent to execute its business with due care and skill. The Respondent was responsible for each and every order placed or trade executed through its terminal. Moreover, it was also the Respondent's responsibility to keep its Computer Operators updated with the applicable rules and regulations to avoid any violation of the same. Therefore, keeping in view the aforementioned, it is evident to me that the Respondent has violated Clause A2 and A5 of the Code of Conduct of the Brokers Rules which in turn is a violation of Brokers Rules.

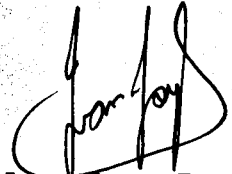
7. The violation of the Rules and Regulations is a serious matter which entitles the Commission to even suspend the Respondent's membership but I have elected not to



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exercise this power at present. However, in exercise of powers under Rule 8 (b) of Brokers Rules, I hereby impose on the Respondent a penalty of Rs. 50,000 (Rupees Fifty Thousand only). I also 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.

8. 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.



Imrah Inayat Butt
Director (SM)

Announced on November 26, 2009
Islamabad.