



PAKISTAN STOCK EXCHANGE LIMITED

Stock Exchange Building, Stock Exchange Road, Karachi - 74000, Pakistan.

UAN: 111-001-122 Fax: 32410825

Website: www.psx.com.pk Email: info@psx.com.pk

Ref. No. PSX/ 0-2138

March 26, 2021

The Chief Executive Officer

M/s. M. Munir M. A. Khanani Securities Ltd.

624-627, Stock Exchange Building,

Stock Exchange Road,

Karachi:

Subject: **ENFORCEMENT ORDER IN THE MATTER OF NON-COMPLIANCE OF CLAUSES 22.6.8(B) & 4.12.2 OF PSX REGULATIONS BY M/S. M. MUNIR M. AHMED KHANANI SECURITIES LIMITED**

Dear Sir,

Reference is made to subject matter, please find enclosed herewith the Enforcement Order dated March 26, 2021 for your information and necessary compliance.

Yours Sincerely,

SYED AHMAD ABBAS

Deputy General Manager-RAD

Cc:

- i. The Executive Director – Broker Compliance Department-(SMD), SECP
- ii. The Director – Adjudication Division-Adjudication Department-I, SECP

Encl: As Above



PAKISTAN STOCK EXCHANGE LIMITED

Stock Exchange Building, Stock Exchange Road, Karachi-74000, Pakistan
UAN: 021-111-001-122 Fax: 021-32437560

ENFORCEMENT ORDER

IN THE MATTER OF NON-COMPLIANCE OF CLAUSES 22.6.8(B) &
4.12.2 OF PSX REGULATIONS BY M/S. M. MUNIR M. AHMED
KHANANI SECURITIES LIMITED [MMKS]

Hearing Before: M. Abbas Mirza | GM & Acting Chief Regulatory Officer - PSX
Assisting ACRO: Syed Ahmad Abbas, Deputy General Manager – RAD
Representing MMKS: Mr. Munir Khanani | Chief Executive Officer
Abdul Hadi Khanani | Head of Operations
Date of Hearing: December 16, 2020

1. BACKGROUND:

- 1.1. It was brought in to the knowledge of Pakistan Stock Exchange Limited (the “Exchange”) that an employee of M/s. M. Munir M. Ahmed Khanani Securities (Pvt.) Limited, TRE Certificate Holder of PSX [hereinafter referred to “MMKS” or the “Securities Broker”], namely Mr. Sohail Farooq [UIN # 42301-4930711-5], is running a Facebook page by the name of ‘Sohail Farooq & Team - PSX’ where he is hosting content related to trading of securities and offering advice on investment related topics. The said content included commentaries on economic, political and market trends and their impact on investment decisions, buy/sell/hold recommendations, analysis, or opinion concerning specific securities listed on PSX, for which valid license is required under licensing regime for Securities Advisor under Securities Act, 2015. Such videos were also circulated on different WhatsApp groups.
- 1.2. The Exchange vide letter dated August 10, 2020 advised MMKS to ensure compliance with applicable regulatory framework encompassing its duties and obligations under Securities Broker (Licensing and Operations) Regulations, 2016, and provide explanation on the above matter. In response, MMKS vide letter dated August 13, 2020 denied having any connection with his Facebook page despite the fact that their office premises was appearing as the backdrop in a number of videos hosted on said page.
- 1.3. In another instance, a whistle-blower shared a video with the Exchange, wherein, it was noted with serious concern that Mr. Sohail levelled baseless allegations of serious nature against the apex and frontline regulators, while indulging in the use of derogatory and inappropriate language.
- 1.4. Considering the above, the Exchange provided an opportunity of being heard on December 16, 2020, to MMKS under clause 20.4.1 of PSX Regulations to explain as to why the disciplinary action under clause 20.5.2 of PSX Regulations should not be initiated against MMKS for its failure to remain mindful of its and its employees’ obligations and responsibilities, while commenting or interacting with the media as required under clause 4.12.2 of PSX Regulations, constituting violation of clause 20.5.1 of PSX Regulations.

2. DURING THE HEARING:

- 2.1. In response to the inquiries of the Exchange on the matter, MMKS informed that Mr. Sohail works in the capacity of Equity Dealer and only uses his Facebook page to educate the investors and discusses general aspects of the market. Moreover, during review of the content on said page, Mr. Sohail was not observed making recommendation regarding buy/sell/hold of listed securities.
- 2.2. The Exchange emphasized that in certain videos it was observed that Mr. Sohail and his team member indicate the price movement of certain scrips in accordance with their earlier prediction.
- 2.3. The Exchange also inquired MMKS about the video clip in which Mr. Sohail could be seen leveling baseless allegations and passing derogatory remarks about the apex and the frontline regulators using their premises. MMKS denied having any knowledge about the said video clip.
- 2.4. The Exchange inquired regarding disciplinary proceedings against Mr. Sohail after the matter was highlighted. In response, MMKS informed that show-cause notice was issued and Mr. Sohail was reprimanded in writing. Moreover, in his defense, Mr. Sohail informed that the purpose of the content is investor education, utilizing information in the public domain.

The Exchange advised MMKS to share copy of show-cause notice issued and the response of Mr. Sohail, however; MMKS retracted the earlier statement and informed that only a verbal warning was issued to Mr. Sohail since MMKS is unable to take strict action against social media activities of employees done in their personal capacity.

- 2.5. The Exchange informed that MMKS is responsible for the acts of its employees, accordingly it should vigilantly monitor the employees' conduct, acts and dealings and proceed with appropriate action in case of any contravention of regulatory requirements or misconduct.
- 2.6. With regard to office premises of MMKS appearing as the backdrop in a number of videos hosted on the Facebook page of Mr. Sohail, MMKS assured to restrict its employees from utilizing their premises for such purposes and shall comply with the instructions of the Exchange.
- 2.7. After obtaining the views and opinions of MMKS, the Exchange advised MMKS to submit their response on show-cause notice issued in the matter. Moreover, Mr. Sohail and other employees who are involved as a part of his team should be reprimanded and MMKS should remain mindful of the obligations and responsibilities of its Directors, Sponsors and employees, while commenting or interacting with the media.

3. SUBSEQUENT TO THE HEARING

MMKS vide letter dated December 18, 2020, enclosed a list of Mr. Sohail's team members along with their UIN Post Reports, show-cause notice issued to Mr. Sohail and Order dated December 17, 2020, whereby MMKS terminated the services of Mr. Sohail and advised him



to close out the social media pages within 24 hours. Further, MMKS advised Mr. Sohail to close out all the open positions within ten days from the date of said order.

4. DECISION:

4.1. In consideration of the facts and contentions made during the hearing, it has been established that MMKS failed to fulfill its responsibilities and obligations under and clauses 4.12.2 and 22.6.8(b) of PSX Regulations, being liable for the acts of its employees under section 167 of Securities Act, 2015. However, taking in to account the mitigating measures taken by MMKS subsequently, including the termination of Mr. Sohail Farooq, removal of his UIN Mapping, and instructing to close-out the social media pages that were the cause of the contravention, the Exchange has decided to impose a financial penalty amounting to Rs.100,000/- on MMKS under clause 20.5.2(c) of PSX Regulations. Moreover, MMKS is hereby strictly advised to remain vigilant with regard to activities of its employees and ensure compliance with the prevailing regulatory framework at all times.

4.2. In addition to above, MMKS under clause 20.5.2 (d) & (e) is further directed to:

- i. Notify the termination of Mr. Sohail on its website along with his ineligibility to provide investment related advice not being licensed as a Securities Market Advisor under the Securities Act, 2015.
- ii. Impart training to its employees with regard to their obligations towards the customers, regulators and while interacting with the media.

The Securities Broker is further advised to submit the evidences of the same within 30 days from the date of this Order. In case of failure to comply with the above directions, the Exchange shall initiate disciplinary proceedings, which may result in stricter enforcement action against the Securities Broker.

It must be noted that the said Order shall dispose-off the above matter and is being issued without prejudice to the right of the Exchange to further initiate any inquiry, special audit with expanded, restricted, or different scope to take any punitive action against MMKS in accordance with the relevant regulations, subsequently investigated or otherwise brought to the knowledge of the Exchange. Furthermore, MMKS is advised to pay the above-mentioned penalty within 14 days from the receipt of this order.



AJEET KUMAR
CHIEF REGULATORY OFFICER

Date: _____

26th MARCH, 2021.