



Dated by Umar

Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 06 of 2018

Invest Forum Private Limited

...Appellant

Versus

Commissioner SMD, SECP, Islamabad

...Respondent

Date of hearing:

March 19, 2025

Present:

For the Appellant:

Barrister Iman Shahid

For the Respondent:

1. Mr. Sohail Qadri, Director, Adjudication-I, SECP
2. Mr. Hammad Ahmad, Management Executive, Adjudication-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 06 of 2018 filed by Invest Forum (the "Appellant") under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") against the Order dated December 13, 2017 (the "Impugned Order") passed by the Commissioner SMD (the "Respondent") under Section Sections 139 and 150 of the Securities Act, 2015 (the "Act").
2. The brief facts of the case are that the Commission vide order dated March 10, 2017 initiated an onsite inspection of books and records required to be maintained by the Appellant. During the inspection the inspection team identified multiple violations including the misuse of trading terminal; non-segregation



Securities and Exchange Commission of Pakistan

of client's assets; having unregistered offices/branches; and running the operations of the Appellant by unauthorized management. In light of the findings, the Show Cause Notice dated October 03, 2017 (the "SCN") was issued to the Appellant under section 150 of the Act. The written response of the Appellant was received on November 07, 2017 and hearing in the matter was held on November 09, 2017 - the authorized representative appeared before the Respondent in person. The Respondent, under the powers conferred passed the Impugned Order, whereby the Appellant's license was cancelled and a penalty of Rs. 5,000,000 was imposed.

3. The Appellant has preferred this Appeal, inter alia, on the grounds that the inspection and investigation proceedings underlying the order were initiated in haste and without affording the Appellant adequate prior notice, in violation of the principles of natural justice. Specifically, although the inspection order dated March 14, 2017 indicated that inspection would commence from March 20, 2017, the inspection team arrived prematurely on March 15, 2017, thereby rendering the entire process unauthorized and procedurally flawed. Further, the Appellant said that the Impugned Order is based on mere conjecture and lacks any credible documentary evidence. The Appellant added that the findings, particularly regarding alleged violations of Section 74 of the Securities Act, 2015 and Regulation 16(1) of the Brokers Regulations, rely solely on statements purportedly made by certain employees of the Appellant under duress and in a coercive environment. The Appellant added that these statements were not duly recorded in accordance with evidentiary standards, and no opportunity was given for their review or verification. The Appellant further submitted that it has consistently denied the authenticity of these statements, and their contents were fabricated by the SECP's investigation team, and has even lodged a formal complaint to that effect which remains unanswered to date. Moreover, the Appellant added that it has been denied its fundamental right to a fair trial under Article 10-A of the Constitution of Pakistan. The Appellant stated that the SECP confiscated all relevant documents, computers, and cheque books from the Appellant's office and has yet to return or allow access to them, despite repeated requests. The Appellant added that in the absence of these records, the Appellant was left unable to adequately respond to the factual allegations made in the SCN. The Appellant further stated that instead of addressing this critical deficiency, the Respondent relied on an unverified claim by an unnamed "concerned officer" that only copies were seized, a claim categorically refuted by the Appellant. Additionally, the Appellant added that the Respondent's finding that the Appellant violated Clause 4.24 of the PSX Rule Book is equally untenable, as it is based on the erroneous classification of a "house account" as a "client account." The Appellant argued that transactions cited as violations were from the



Securities and Exchange Commission of Pakistan

Appellant's own account and did not involve client funds. Therefore, no breach of the Rule Book occurred. The Appellant further argued that while it does not contest the procedural lapse in relocating its office without prior written approval from the PSX, this violation was an inadvertent oversight, not a wilful act. The Appellant said that the PSX never raised any objection regarding this issue. In light of the above, the Appellant contends that the Impugned Order is based on flawed procedure, lack of evidence, misinterpretation of facts, and a disregard for due process, the punitive measures imposed are grossly disproportionate and constitute double punishment in contravention of Article 13 of the Constitution.

4. The Respondent countered the grounds of the Appeal and proffered arguments, delineating that the inspection was legally authorized and an inspection order was issued beforehand. The Respondent stated that the early visit by the inspection team did not render the inspection illegal, and any technical deviation does not vitiate the process. The Respondent further added that established case law supports that technicalities should not obstruct justice. The Respondent further stated that the findings are not solely based on the employees' statements; rather, they are supported by other offenses and documentary evidence. The Respondent added that the confessional statements were corroborated with records such as bank statements showing unlawful withdrawals. The Respondent further stated that the allegations of coercion are unproven. The Respondent contended that backups were left with the Appellant to facilitate ongoing operations. The Respondent further argued that the Appellant had adequate opportunity to respond, and the claim of total seizure and lack of access is inaccurate. The Respondent further stated that the Appellant was given ample opportunity to be heard. The Respondent further argued that the investigation and adjudication followed the due process of law. The Respondent further argued that the decision was not based on haste but a combination of statements and documentary evidence. The Respondent further stated that the Clause 4.24 of the PSX Rule Book requires all payments over Rs. 25,000 to be made via traceable banking channels. The Respondent added that the review of *Bank Alfalah account (No. 0407-1003046818)* showed cash transactions in breach of this clause. The Respondent further stated that the Appellant admitted the transfer of office was without prior approval whereas the law mandated formal approval prior to relocation. The Respondent further stated that the claim of double punishment is unfounded, Article 13 (double jeopardy) applies to the same offense under the same law, which is not the case here. The Respondent added that the penalty and cancellation of license are authorized under Section 150(2) of the Securities Act, 2015, which allows multiple sanctions for misconduct.



Securities and Exchange Commission of Pakistan

5. The Bench has heard the arguments of both the parties and perused the record. The Bench considers that the integrity and transparency of regulatory enforcement actions must be judged not merely on procedural timing but on the substance and fairness of the process. The Bench considers that although the inspection commenced prior to the originally notified date, the Appellant was duly informed, and this deviation, while irregular, does not in itself vitiate the legality of the proceedings. The Bench considers that the Appellant was afforded adequate opportunity to submit written replies and participate in multiple hearings, thus satisfying the requirement of natural justice. The Bench considers that the statements of the Appellant's employees were given under oath, bearing signatures and thumbprints, accompanied by declarations of voluntariness. The Bench considers that these statements were not isolated or uncorroborated but were supported by transactional records, bank statements, and evidence pointing to systematic misuse of client funds and unauthorized trading. The Bench considers that the Appellant's claim of coercion remains unsupported by any independent evidence and is therefore unpersuasive. The Bench considers that the allegation regarding total seizure of business records is not corroborated by documentary evidence. The Bench considers that the Respondent's assertion stating that only copies of records were taken and operational backups were left behind stands unrebutted. The Bench considers that the Appellant has not demonstrated how the alleged unavailability of records prevented it from responding to the allegations or from participating effectively in the adjudicatory process.
6. The Bench considers that the Respondent has substantiated its claim that cash transactions above Rs. 25,000 were executed from a client-designated bank account in contravention of Clause 4.24 of the PSX Rule Book. The Bench considers that no credible explanation or contrary evidence has been provided by the Appellant regarding these transactions. The Bench finds that the assertion that the account was a "house account" lacks support and was contradicted by the account's functional labelling and transactional history. The Appellant has admitted relocating its office without obtaining prior written approval from PSX, a regulatory requirement clearly stipulated in the Brokers Regulations and PSX Rule Book. The Bench considers that even if PSX was informally intimated, the absence of formal approval renders the operation of the new branch non-compliant with applicable regulations. The Bench is of the view that the invocation of Article 13 of the Constitution (protection from double punishment) is misplaced in the present context. Section 150(2) of the Securities Act, 2015 expressly permits concurrent imposition of administrative sanctions, including license cancellation and financial penalties.



Securities and Exchange Commission of Pakistan

Such dual sanctions address different aspects of regulatory accountability and do not amount to double jeopardy. The Bench considers that the cumulative violations, ranging from unauthorized trading and misuse of client assets to mismanagement, non-disclosure, and operational misconduct are of a grave and systemic nature. These violations strike at the core of public trust in capital markets and warrant robust regulatory response.

7. In view of the foregoing, the Bench, finds no reason to interfere in the Impugned Order. The instant Appeal is hereby dismissed without any order as to costs.

(Abdul Rehman Warraich)
Commissioner

(Zeeshan Rehman Khattak)
Commissioner

Announced on:

20 MAY 2025