



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 14 of 2021

Horizon Securities Limited

...Appellant

versus

Executive Director, Adjudication Department-I, SECP, Islamabad

...Respondent

Date of hearing:

May 13, 2026

Present:

For the Appellant:

Mr. Asif Mumtaz, (Authorized Representative)

For the Respondent:

Mr. Muhammad Faisal, Deputy Director, (Adjudication-I, SECP)

ORDER

1. This order shall dispose of Appeal No. 14 of 2021 filed by Horizon Securities Limited (“the Company”, or “the Appellant”) under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (“the SECP Act”) against the order of December 24, 2020 (“the Impugned Order”) passed by the Executive Director, Adjudication-I (“the Respondent”) under section 40-A of the SECP Act read with the Securities and Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (“the AML/CFT Regulations”).
2. The brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate (“TREC”) holder of the Pakistan Stock Exchange (“PSX”) and a licensed securities broker with

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Securities and Exchange Commission of Pakistan

the Securities and Exchange Commission of Pakistan (“the SECP”). An inspection (“the Inspection”) of the Appellant was initiated via *inspection notice No. T054* dated January 15, 2020, covering a review period of three months, from October 01, 2019, to December 31, 2019, with a scope to review and check compliance with the applicable AML/CFT Regulations.

3. Upon completion of the Inspection, the Appellant received a *Thematic Review Report (No. Inspection/T054/4809)* dated February 12, 2020 (“the Review Report”), wherein various deficiencies and contraventions of the AML/CFT Regulations were identified. The allegations, *inter alia*, pertained to the contravention of Regulations 6(3)(a), 6(3)(c), 6(4)(a) and 13(1), relating to insufficient documentation regarding the source of income/funds, beneficial ownership, and inadequate due diligence of existing customers. The Inspection report also highlighted the contravention of Regulations 4(a), 13(7), and 15(3) of the AML/CFT Regulations, stating that the Appellant had failed to maintain an ongoing screening mechanism. The Appellant, vide its letter dated February 18, 2020, submitted a detailed response to the Review Report along with supporting documentary evidence.
4. Thereafter, a Show Cause Notice dated June 2, 2020 (“the SCN”) was issued to the Appellant and its Head of Compliance, requiring submission of a written response within 14 days thereof. The Appellant subsequently submitted its written reply via letter dated July 25, 2020, contesting the allegations and asserting that it had remained substantially compliant, while also stating that improvements had been made in its internal AML/CFT system. Although the said response was submitted beyond the prescribed period stipulated in the SCN, the same appears to have been received and taken on record by the Respondent without any apparent objection or adverse procedural consequences, thereby implying condonation by conduct and inadvertence on the part of the Respondent in proceeding further with the matter.
5. The Appellant was accorded an opportunity for a personal hearing on November 19, 2020. Subsequently, the Respondent, not being satisfied with the response and stance of the Appellant, passed the impugned Order dated December 24, 2020, whereby a penalty of Rs. 260,000/- (Rupees Two Hundred and Sixty Thousand only) was imposed upon the Appellant under Section 40-A of the Act. Further, the Appellant was advised to examine its Anti-Money Laundering and Countering Financing of Terrorism (“AML/CFT”) policies and procedures so as to ensure compliance with the requirements prescribed under the AML/CFT Regulations in letter and spirit.

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Securities and Exchange Commission of Pakistan

6. The Appellant has preferred this Appeal, *inter alia*, on several grounds, including the assertion that the Impugned Order was passed mechanically without proper appreciation of the facts and law, and is a mere repetition of the observations stipulated in the SCN. The Appellant contended that they are compliant with the AML/CFT policies and procedures by recording customer information, such as the CNIC, full name, and father's/spouse's name for account holders and nominees. The Appellant also shared the Know Your Customer (KYC) / Customer Due Diligence (CDD) forms as evidence that they follow strict compliance. The Appellant pleaded that all the forms highlighted their beneficiary details clearly.
7. The Appellant contended that all relevant CDD documentation, including the account opening forms, identification particulars, and source of income declarations, were shared with the Inspection team during the course of the Inspection; therefore, the allegation that the Appellant had failed to maintain or provide the requisite documentation was factually incorrect and contrary to the available records. It was further contended that at the time of the Inspection, all documents were provided to the Inspection team, however, the Inspection team advised the Appellant to obtain an undertaking from the clients, that were introduced by the National Clearing Company of Pakistan Limited ("NCCPL"), while acting as the intermediary for opening the accounts.
8. The Appellant argued that once such documentary material had been produced before the Inspection team, the same ought to have been considered and no adverse inference could lawfully be drawn against the Appellant. As regards the alleged violation of Regulation 3(b) of the AML/CFT Regulations, the Appellant contended that they conduct ongoing monitoring of their business relationships. The Appellant argued that the three instances mentioned in the SCN were addressed, but the explanation provided and documents submitted were not considered by the Respondent. The Appellant argued that all copies of the information were provided to the Respondent.
9. As regards the alleged violation of Regulation 3(c), pertaining to the identity documents that were not validated from the NADRA *Verisys* system, the Appellant contended that the brokerage industry was facing issues with NADRA as they were unable to get the *Verisys* verification due to constant technical issues with the NADRA *Verisys* system.
10. The Appellant exhibited a letter No. *SECP/AML-1049/2020* dated March 29, 2020, from the Executive Director of the SECP, Ms. Khalida Habib, to the Director General of the Public Service Department, Mr. Ali Jawed, National Database and Registration Authority (the "NADRA") which outlines the problems of the NADRA *Verisys* system faced by the SECP

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Securities and Exchange Commission of Pakistan

regulated sectors. In this letter, the SECP appreciates the positive response by the Chairman of NADRA to support the effective implementation of the AML/CFT regime and requests favourable consideration of the following matters: an access to the NADRA *Verisys*/Biometric facility; the cost of the *Verisys*/Biometric facility; and an exemption from the provision of the “Date of issue” for expired CNICs.

11. The Appellant also shared an email from the Director General (“the DG”) of NADRA to the SECP dated April 2, 2020, where the DG NADRA confirmed in the email that they have assured the SECP Directorate that they will assist and resolve issues related to regulated financial institutions. The Appellant contended that Regulation 3(d), regarding the failure to comply with the ongoing screening mechanism for its clients/nominees/joint accounts, were not properly taken into consideration.
12. The Appellant submitted that its compliance officer was queried by the Inspection team regarding the mechanism being employed for client screening and whether any dedicated screening software was being utilized for such purpose. In response thereto, it was explained that, at the relevant time, the Appellant was not using any specialised screening software and was instead conducting client screening through a manual screening mechanism. The Appellant further contended that the compliance officer had also demonstrated the said screening mechanism to the inspection team during the course of inspection proceedings. It was additionally asserted that its AML Policy was duly updated and compliant with the applicable regulatory requirements.
13. The Appellant argued that there was no requirement in the AML Regulations or in its guidelines regarding the screening of clients, hence no question can be raised regarding the deficiency of screening of clients in the Appellant's company. The Appellant further submitted that after the Inspection, the new AML/CFT Regulations, 2020 promulgated vide S.R.O. 921 (I)/2020 in September 2020, subsequently introduced detailed obligations relating to screening of clients against lists issued by the United Nations Security Council (“UNSC”), National Counter Terrorism Authority (“NACTA”), and the Ministry of Interior. Upon promulgation of the said Regulations, the Appellant promptly revised and updated its AML/CFT policies, procedures and compliance control to align with the enhanced regulatory requirements.
14. The Appellant further contended that the Respondent failed to correctly identify both the name of the Company and that of its Chief Executive Officer (“CEO”), as both were inaccurately reflected in the Impugned Order. Appellant additionally asserted, both in its pleadings and

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Securities and Exchange Commission of Pakistan

- during the course of hearing, that the penalty of Rs. 260,000/- had been imposed mechanically and without due application of mind to the facts and circumstances of the case.
15. The Appellant contended that upon receipt of the *Thematic Report* on February 12, 2020, it furnished a comprehensive response along with the relevant supporting documents to the Respondent vide its letter dated February 18, 2020. It was further asserted that neither the aforesaid response nor the subsequent replies submitted in response to the SCN were duly considered by the Respondent during the adjudicatory process. The Appellant accordingly denied the alleged violations attributed to it.
 16. In response to the submissions of the Appellant, the Respondent, *inter alia*, submitted that, with regard to the alleged violation of Regulation 13(7) of the AML/CFT Regulations, the Appellant failed to furnish any pre-inspection evidence to demonstrate compliance with the requirements of the said regulation at the time of the inspection.
 17. With respect to the alleged violations of Regulations 6(3)(c), 13(1), and 13(4) of the AML/CFT Regulations, the Respondent submitted that the Appellant was unable to provide any evidence of ongoing monitoring of its clients at the relevant time. The Respondent contended that, although the Appellant stated that the requisite documents were being obtained, such submissions were made after the inspection and, therefore, do not establish compliance at the relevant time.
 18. With regard to Regulation 6(4) of the AML/CFT Regulations, the Respondent submitted that the evidence furnished by the Appellant in response to the SCN demonstrated that NADRA verification in respect of the highlighted clients was not conducted. Accordingly, the Respondent contended that the Appellant cannot deny the violation of the said regulation.
 19. The Respondent submitted that the contravention of Regulation 4(a) of the AML/CFT Regulations was also admitted by the Appellant. The Respondent also noted the Appellant had submitted in the proceedings before the Respondent that they had applied to NADRA for the provision of E-Verisys services and had committed that as soon as NADRA installed its service, the Appellant would validate all the identity cards of their clients, which is an admission and indicative of the violation of Regulation 6(4) of the AML/CFT Regulations.
 20. The Appellate Bench ("the Bench") has carefully evaluated the regulatory timeline, the factual configuration of this appeal, and the shifting legal frameworks governing the corporate sector.

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Securities and Exchange Commission of Pakistan

At the outset, the Bench considers it appropriate to observe that AML/CFT regime constitutes a preventive and risk based regulatory framework intended to safeguard the integrity, transparency, and stability of the financial system. The underlying object of the framework is to ensure regulated entities implement adequate controls and due diligence mechanisms so as to prevent the misuse of financial markets and intermediaries for money laundering and terrorist financing, and related unlawful activities.

21. The obligation imposed under the AML framework are not merely procedural in nature, rather they are substantive, continuing, and mandatory obligations requiring regulated persons to establish and maintain effective system for customer due diligence, verification of identity and source of income, risk assessment, customer screening, ongoing monitoring, and internal compliance oversight. These obligations constitute the foundational safeguards of the AML/CFT regime and are intended to ensure that regulated entities do not become conduits for money laundering, terrorist financing, or other financial activities.
22. The record reveals that the Joint Inspection Team (JIT) conducted its regulatory inspection of the Appellant on January 15, 2020, strictly scrutinizing a transactional window spanning from October, 2019 to December, 2019. Consequently, the only statutory framework field active at the time of the alleged infractions was the SECP Anti-Money Laundering and Countering Financing of Terrorism Regulations, 2018 (notified via S.R.O. 326(I)/2018).
23. In reviewing the impugned Order, this Bench notes with concern a significant procedural and factual omission. The record reflects that the Review Report was issued to the Appellant on February 12, 2020, pursuant to which the Appellant submitted a detailed factual and documentary rebuttal vide its response dated February 18, 2020, which was duly received and acknowledged by the Respondent. Subsequent to this, the Respondent issued a SCN on June 2, 2020, to which the Appellant also responded in a timely manner. However, a critical examination of the final Impugned Order reveals that while the Respondent was in physical possession of the Review Report and the Appellant's preliminary response dated February 18, 2020, the Respondent completely failed to consider, evaluate, or mention this foundational layer of the administrative trail, acting as though the initial exculpatory pleadings did not exist.
24. By receiving, but entirely failing to consider this vital phase of the defence, the adjudicating team failed to pass a valid "speaking order" as strictly commanded by Section 24-A of the General Clauses Act, 1897. For ease of reference Section 24-A is being reproduced hereunder:

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Securities and Exchange Commission of Pakistan

“Exercise of power under enactments, (1) Where, by or under any enactment, a power to make any order or give any direction is conferred on any authority, office or person such power shall be exercised reasonably, fairly. Justly and for the advancement of the purposes of the enactment.”

“(2) The authority, office or person making any order or issuing any direction under the powers conferred by or under any enactment shall, so far as necessary or appropriate, give reasons for making the order or, as the case may be, for issuing the direction and shall provide a copy of the order or as the case may be, the directions to the person affected prejudicially”

25. Far from adhering to the aforesaid standard, the Respondent failed to duly consider the Appellant’s detailed written responses submitted both at the Review Report stage and in response to SCN, and proceeded to record a disputed position as an "admission." Such disregard and non-consideration of material evidence on the record constitutes a clear violation of the principles of natural justice and undermines the fairness of the adjudicatory process.
26. Furthermore, the impugned order exhibits critical structural and factual defects, having been directed against an incorrect corporate entity name and an incorrectly identified Chief Executive Officer (“CEO”). It is further noted that the dates pertaining to the issuance of the SCN and the submission of the reply thereof were also inaccurately reflected on the second page of the impugned Order, thereby further undermining the procedural accuracy and reliability of the adjudicatory record. We are cognizant of the settled principle laid down by the Hon’ble High Court of Baluchistan in *Abdul Raziq Vs. Muhammad Rafiq*, reported as **2022 CLC 1048** which held that:

“... Court had general power to amend any defect/error in any proceedings in a suit at any time to determine real question/issue...Correction of error/mistake would depend on nature of mistake/error as per the facts of each case.”

27. While minor clerical errors may be amended under general legal principles analogous to Section 152 of the Code of Civil Procedure, a total misdescription of the target corporate persona in an enforcement decree strips the order of its lawful authority, rendering it coram non iudice as affirmed by the Hon’able Supreme Court of Pakistan in *Farid Khan and Others Vs. Hamid Badshah and Others.*, reported as **2026 SCMR 658**, which held that:



Securities and Exchange Commission of Pakistan

"... It was not disputed that while recording findings on certain issues, the Appellate Court in advertently mentioned the name of the father of the party instead of the party himself, despite the pleadings, evidence, and the rest of the judgment consistently identifying the correct person "AK" as the owner of the disputed property... the correction made by the Appellate Court did not introduce any new relief, alter the substantive findings, or re-open the merits of the case... such a correction squarely fell within the ambit of an 'every arising from accidental slip or omission' as contemplated by Section 152, Code of Civil Procedure 1908. No illegality, irregularity, jurisdictional defect or misreading of law was found in the impugned judgment of the High Court. The leave was refused and petition was dismissed."

28. The principle laid down in the afore-referred judgments are also consistent with settled comparative common law jurisprudence governing regulatory and quasi-judicial proceedings. It is by now well established that a mere misnomer, clerical defect, or inaccurate description in the name of a person or entity does not, by itself, vitiate regulatory proceedings or render an order void, provided that the intended notice or affected party remains clearly identifiable and no prejudice or failure of due process has been occasioned thereby. The distinction consistently maintained by the courts is between a curable defect of misdescription and a fundamental case of mistaken identity going to the root of jurisdiction. The principle is also well recognised in United Kingdom jurisprudence, wherein the courts have consistently held that substance must prevail over form and that proceedings are not rendered invalid merely because of an incorrect or inaccurate name where the identity of the intended party is otherwise ascertainable, as recognised in *F Goldsmith (Sicklesmere) Ltd v. Baxter [1970] Ch 85* and *Knight Frank LLP v. Du Haney [2011] EWCA Civ 1178*.

29. A similar approach has been adopted in United States of America, where it has been held that a technical defect in naming does not invalidate regulatory or legal proceedings where the intended party knew, or reasonably ought to have known, that it was the subject of the proceedings and no material prejudice had been caused thereby, as reflected in *United States v. A.H. Fischer Lumber Co., 162 F.2d 872 (4th Cir. 1947)* and *Krupski v. Costa Crociere S.P.A., 560 U.S. 538 (2010)*. Accordingly, a purely technical objection relating to nomenclature or description, in circumstances where the identity of the noticee/entity remained certain, known, and duly understood throughout the proceedings, cannot by itself invalidate the proceedings or defeat the regulatory jurisdiction lawfully exercised by the Commission.



Securities and Exchange Commission of Pakistan

30. Notwithstanding, the legal position discussed hereinabove, and while the defects in question may not ordinarily be sufficient in law to vitiate regulatory proceedings where the identity of the appellant remains ascertainable, the peculiar facts and circumstances of the present matter warrant a cautious and equitable approach. Given that the underlying transactional period pertains to the year 2019, and further considering that the impugned proceedings reflect multiple identity-related inconsistencies, inadequate consideration of preliminary objections appearing on the record, and material factual infirmities affecting the overall integrity of the adjudicatory process, the Bench is of the considered view that matter merits equitable inference in favour of the Appellate. The Bench has also taken into consideration the Appellant's overall AML/CFT compliance conduct over the subsequent years and the improvements made in its internal control and compliance mechanism. Accordingly, in the peculiar facts and circumstances of the case, this Bench is inclined to take a lenient view in the matter.
31. Therefore, in exercise of the powers conferred under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997, the present Appeal is hereby partly allowed. Consequently, the financial penalty of Rs 260,000/- imposed upon the Appellant through the impugned order is hereby converted into a strict warning. This Bench while taking a lenient view in the peculiar facts and circumstances of the case, has taken into consideration the Appellant's subsequent AML/CFT compliance conduct and the improvements made in its internal compliance mechanisms. However, given the sensitive nature of capital market compliance and the overarching statutory objective of safeguarding market integrity and preventing financial irregularities, the Appellant is hereby strictly cautioned to ensure meticulous, consistent, and unwavering compliance with all applicable regulatory and statutory requirements administered by the Commission in future.
32. Any person or party aggrieved by this Order may, within thirty (30) days from the date hereof, file a review application under Section 32B (2) of the Securities and Exchange Commission of Pakistan Act, 1997, or within sixty (60) days, prefer an appeal under section 34 thereof before the competent forum, in accordance with law.

(Mr. Muzzafar Ahmed Mirza)

Commissioner

(Mr. Muhammad Ali Farid Khawaja)

Commissioner

Announced on: 09 JUN 2026