



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 14 of 2022

Ayub Chaudhary Investments (Pvt.) Limited

Appellant

Versus

HOD Adjudication Department-I

Respondent

Date of hearing:

February 19, 2026

Present:

For the Appellant:

Mr. Muhammad Aslam Khan (Authorized Representative)

For the Respondent:

1. Mr. Sohail Qadri, HOD/Director, Adjudication-I, SECP
2. Ms. Maheen Najmi, Assistant Director, Adjudication-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 14 of 2022 filed by Ayub Chaudhary Investments (Pvt.) Limited (the Appellant) through Tayyab Naeem Khan Chief Executive Officer against the Order dated March 18, 2022 (Impugned Order) passed by the HOD Adjudication-I (the Respondent) under Regulation 3(1)(b), 4(a), 6(3)(a)(c), 13(1)(4)(7), 15(3), 6(4) and annexure

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- 1 of Regulation 6(4) of the Securities and Exchange Commission of Pakistan Anti Money Laundering and Countering Financing of Terrorism Regulation, 2018 (the Regulations).
2. The brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange Limited and licensed as a securities broker with the Securities and Exchange Commission of Pakistan (the Commission). The Commission conducted an on-site inspection of the Appellant in pursuance of an order dated February 12, 2020, in order to assess the compliance with the Regulations. The inspection team observed a number of non-compliances with the Regulations. Therefore, a show-cause notice dated April 5, 2021 (SCN) was issued to the Appellant under section 40A of the Act. The Appellant replied to the SCN vide letter dated April 21, 2021, whereas the hearing in the matter was held on June 18, 2021. The Respondent concluded the SCN proceedings and imposed a penalty of Rs. 500,000/- on the Appellant for violating the requirements pertaining to the screening of clients, the database of joint account holders/ customer due diligence, and NADRA *Verisys*.
 3. The Appellant filed this Appeal *inter alia* on the grounds that the Impugned Order is arbitrary, bad in law, and against the facts of the case as the Respondent has failed to appraise the facts available on record. The Appellant submitted that the Respondent wrongly held that the source and income of the clients were not verified. The Appellant further stated that it was maintaining a database of clients, and proper screening was conducted. Moreover, as required under the Regulations, NADRA *Verisys* was not available for the verification of identification documents of clients during the inspection period. The Appellant stated that non-compliances, if any, were unintentional and there was no *mens rea* behind any such violation; hence, the Appellate Bench should take a lenient view.
 4. The Respondent rebutted the grounds of Appeal and arguments put forth by the Appellant's representative. The Respondent stated that the Impugned Order is a speaking order and has been passed after due consideration of the submissions made by the Appellant, facts of the case, material available on record, merits of the case, and the relevant provisions of the

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Regulations. The Respondent stated that the Appellant failed to produce any evidence of a database of joint account holders to identify proscribed persons on an ongoing basis and that the Appellant had failed to provide evidence of the source of income/funds of one client, classified as low-risk, who deposited Rs. 5.380 million during the period from July to December 2019. The said instance indicates that the Appellant did not have an ongoing monitoring system in place to match clients' transactions with their level of income. The Respondent acceded with the Appellant's stance that during the inspection period, NADRA *Verisys* was not accessible, hence, verification of clients' identification documents was not possible; this matter was resolved subsequently.

5. The Bench has heard the parties and pursued the record with the able assistance of the parties' representatives. The Appellant's and Respondent's representatives reiterated the grounds of appeal and rebuttal stated hereinabove. The Bench endorses the Appellant's stance and the Respondent's admission that at the time of inspection, the NADRA *Verisys* facility was not available and it was allowed by NADRA subsequently; therefore, the Appellant cannot be held liable on this count. As regards the remaining violations, the Appellant failed to bring on record any evidence demonstrating compliance with the requirements of the Regulations at the time of inspection. However, it is an admitted position that subsequent to the Impugned Order, the Appellant has brought itself into full and demonstrable compliance with the applicable requirements of the Regulations. The record does not reflect any recurring or continuing contravention thereafter, nor was any further enforcement action deemed necessary by the Respondent. It appears that after the inspection, the Appellant rectified the non-compliances and no further violations were observed; this factor is to be treated as a mitigating circumstance in determining the fate of the Appeal. It is a settled principle of administrative and regulatory jurisprudence that the object of penalty is corrective and deterrent and should not be punitive beyond proportion; penalties must conform to the doctrine of proportionality and fairness. Where a regulated entity has rectified the default, exhibited bona fide intent, and maintained sustained compliance, the mitigating effect of such subsequent conduct must be accorded due weight. In equity, the maxim *lex non cogit ad*

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impossibilia and the principle that penalty must correspond to the gravity and persistence of default warrant due consideration of post-violation remedial measures. The Bench also appreciates the conduct of the Appellant's representative, who stated that the shortcomings were unintentional and requested a lenient view. Accordingly, in view of the Appellant's subsequent compliant conduct, absence of repetitive breach, and the overarching objectives of regulatory justice, the Appellate Bench is inclined to exercise its discretion to reduce the quantum of penalty to a level commensurate with the nature of the initial lapse while preserving the deterrent purpose of the law.

6. In view of the foregoing legal analysis and findings, the Appellate Bench concludes that the Impugned Order is legally sustainable in terms of the findings of regulatory violations under the Regulations. However, considering the unavailability of the NADRA *Verisys* facility and subsequent compliance measures adopted by the Appellant, the Bench, in the exercise of its discretion and in accordance with the principles of proportionality and fairness, hereby reduces the aggregate penalty amount to Rs. 250,000/- (Rupees Two Hundred and Fifty Thousand Only). Accordingly, the appeal is disposed of without any order as to costs.

(Imtiaz Haider)

Commissioner

(Zeeshan Rehman Khattak)

Commissioner

Announced on:

02 MAR 2026