



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 26 of 2025

Aaraf Investment Advisory Limited and Others

... Appellants

Versus

Director/HOD (Adjudication Department-I)

... Respondent

**Date of Hearing:**

October 31, 2025

**Present:**

**For the Appellant:**

Mr. Sarmad Aziz, Authorized Representative (through Zoom)

**For the Respondent:**

1. Mr. Sohail Qadri, Director, Adjudication-I Department, SECP
2. Mr. Rizwan ul Haq, Joint Director, Adjudication-I Department, SECP

## ORDER

1. This Order shall dispose of Appeal No. 26 of 2025 filed by Aaraf Investment Advisory Limited (the "Company") and Others (collectively referred to as "Appellants") against the Order dated April 17, 2025 (the "Impugned Order") passed by the Director/Head of Department, Adjudication Department-I (the "Respondent") under Section 282J of the Companies Ordinance, 1984 (the "Ordinance") read with Rule 7(1) (da) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the "Rules").
2. Brief facts of the case are that the Company was incorporated on April 28, 2022 and licensed as a Non-Banking Finance Company ("NBFC") on November 18, 2022 to undertake Investment Finance Services restricted to microfinancing. During review, it was observed that the Company failed to file its annual audited financial statements for the year ended June 30, 2024 with the Registrar within the prescribed timeline of fifteen (15) days from the date of the Annual General Meeting ("AGM"), which was required to be held



## Securities and Exchange Commission of Pakistan

within one hundred and twenty (120) days of the close of the financial year. The Company was required to hold its AGM by October 28, 2024 and file its approved annual audited financial statements by November 12, 2024, but the same were filed on February 17, 2025. This act purportedly constituted a contravention of Rule 7(1) (da) read with Schedule I of the Rules, punishable under Section 282J (1) of the Ordinance. In order to ascertain the reasons for the default, the Securities and Exchange Commission of Pakistan (the "Commission"), vide email dated December 20, 2024, and subsequent reminder emails dated December 27, 2024, January 03, 2025, and January 09, 2025, sought an explanation and relevant information from the Company regarding the delayed submission of its annual audited financial statements. However, the Company failed to furnish any response to the aforesaid communications of the Commission.

3. Consequently, the Respondent issued Show-Cause Notice dated February 10, 2025 (the "SCN") to the Appellants under Section 282J (1) of the Ordinance, calling upon them to explain in writing why penal action should not be initiated for non-compliance with the said provisions. The Appellants submitted their reply vide letter dated February 18, 2025. Hearing in the matter was held on March 10, 2025, attended by the authorized representatives of the Appellants, who reiterated the written submissions. Thereafter, a supplementary email dated March 11, 2025 was also submitted by the Appellants highlighting corrective actions, including the appointment of experienced directors and approved auditors to ensure future compliance.
4. Upon conclusion of the proceedings, the Respondent imposed an aggregate penalty of Rs. 80,000/- (Rupees Eighty Thousand only) under Section 282J(1) of the Ordinance. The penalty was apportioned as Rs. 10,000 each on Ms. Sana Ilyas, Director/CEO; Mr. Wali Ullah, Director; Syed Sharjeel Ahmad Hasnie, Director; Mr. Masood Ghaus Aijazi, Director; Mr. Khawar Jamal, Director; and Mr. Ayyaz Ahmad, Director, while Rs. 20,000 was imposed on the Company.
5. The Appellants had preferred this appeal on the following grounds, *inter alia*:
  - i. The Respondent had acted, *ultra vires*, by intertwining two distinct legal regimes governing filing requirements under the Companies Act, 2017 (the "Act") and the Rules, thereby causing ambiguity and confusion regarding the applicable compliance framework.
  - ii. It was contended that Sections 132(5) and 233(4) of the Act are self-contained penal provisions specifically addressing the failure to file annual returns and financial



## Securities and Exchange Commission of Pakistan

statements. Therefore, the invocation of the general penal provision contained in Section 282J (1) of the repealed Ordinance was arbitrary, excessive, and without lawful authority.

- iii. It was further submitted that Sections 132 and 233 of the Act impose a Level-I penalty on the Company alone and do not extend liability to its directors. Hence, by invoking Section 282J to proceed against both the Company and its Board of Directors, the Respondent exceeded its jurisdiction and acted contrary to law. It was further submitted that the alleged non-compliance was the first and only instance of delay by the Company, and the SCN at hand was the first ever issued in this regard. Accordingly, recourse to Section 282J was unjustified and disproportionate.
- iv. Despite acknowledging during the proceedings that the Commission itself had contributed to the delay in filing, the Respondent nonetheless imposed an unwarranted and excessive penalty upon both the Company and its directors, rendering the order illegal and arbitrary.
- v. No element of public interest had been prejudiced by the delayed filing of annual financial statements, as the Company was engaged solely in microfinance activities with a limited client base comprising eighteen clients, including four corporate entities, and was not managing any discretionary portfolios. The Board of Directors consisted of reputable and experienced professionals, and their implication in a mere technical lapse, particularly when the Commission's own inaction had contributed to the delay, was misconceived, unwarranted, and without lawful justification.
- vi. Neither the Registrar of Companies nor any of his deputies had issued a formal warning notice in accordance with the established practice under Sections 132 and 233 of the Act. Instead, the Respondent improperly relied upon emails issued by the supervisory department under Rule 7 of the Rules, which did not constitute a valid statutory notice and were contrary to the prescribed legal procedure. Lastly, the Appellants prayed for setting aside the Impugned Order.

6. The Respondent rebutted the submissions of the Appellant on the following grounds:

- i. The requirement to file annual audited financial statements with the Registrar is expressly prescribed under Rule 7(1)(da) of the Rules, framed under Section 282B of the Ordinance, which is the primary governing framework for NBFCs. The Company, being a licensed NBFC, was therefore bound to comply with the said provision, which in turn refers to Sections 223(2), 233(1), and 132(1) of the Act.
- ii. The Appellants' contention regarding the intertwining of two different filing requirements is misconceived and reflected a lack of understanding of the applicable




## Securities and Exchange Commission of Pakistan

- regulatory framework. The contravention arose solely under Rule 7(1)(da) of the Rules, and the issuance of the SCN under Section 282J(1) of the Ordinance was lawful and within jurisdiction.
- iii. The responsibility to ensure timely compliance with Rule 7(1)(da) of the Rules read with the relevant provisions of the Act rested squarely upon the Appellants. The SCN was therefore appropriately issued, and no action was taken under Section 132 of the Act relating to non-holding of the AGM. Moreover, there exists no legal restriction preventing the issuance of an SCN on a first instance of contravention.
- iv. It was contended that the argument that no public interest was affected by the delayed filing is untenable, as timely submission of audited financial statements is essential for transparency, investor confidence, and stakeholder protection. Delays in filing of financial statements deprive stakeholders of accurate financial information and undermine regulatory oversight.
- v. There is no legal requirement to issue prior warning notices before initiating adjudication proceedings. The Commission had, however, sought information through emails dated December 20, 2024, and subsequent reminders, to which the Appellants failed to respond. Compliance with statutory requirements is the Appellants' independent legal duty and cannot be conditioned upon regulatory reminders or warnings. Consequently, the Respondent submitted that the appeal may kindly be dismissed.
7. The Appellate Bench (the "Bench") has heard the arguments advanced by both the parties and perused the record. It is evident from the record that the Appellants duly submitted their annual audited financial statements for the year ended June 30, 2024 to the Registrar on February 17, 2025, i.e. within seven (7) days of the issuance of the SCN dated February 10, 2025. Such prompt action demonstrates the, *bona fide*, intent and willingness of the Appellants to comply with their statutory obligations under Rule 7(1)(da) of the Rules read with the relevant provisions of the Act and the erstwhile Ordinance. The subsequent pendency or non-approval of the same by the Registrar cannot, therefore, be attributed to the Appellants, as they had effectively discharged their duty of submission within a reasonable time following initiation of the proceedings.
8. The Bench observes that while procedural lapses in regulatory compliance merit scrutiny, the overarching principle of proportionality must govern the imposition of penalties, particularly where the default is not deliberate, recurring, or detrimental to public interest. In the instant case, there is no material on record to suggest that the delay in filing was willful, that any stakeholder suffered loss, or that the Company derived any undue advantage. On the contrary, the Appellants have taken corrective measures to ensure future compliance. These actions, taken together with the prompt filing after issuance of the SCN, sufficiently establish their commitment to regulatory adherence.



## Securities and Exchange Commission of Pakistan

9. In these circumstances, the imposition of penalty on both the Company and its directors is found to be disproportionate and inconsistent with principles of equity and fair administrative action. The Bench holds that regulatory enforcement aims to secure compliance, not to impose punitive sanctions where compliance has been achieved. Accordingly, the Impugned Order is set aside.
10. However, the Appellants are strictly warned to ensure timely compliance in future and, in case of any technical impediment, to promptly communicate the same to the Commission to facilitate the adoption of appropriate alternate mechanisms, including physical filing or other prescribed modes, in coordination with the concerned department to ensure uninterrupted compliance with the regulatory framework.
11. Accordingly, the instant appeal is disposed of in the above terms with no further order as to costs.

  
(Akif Saeed)  
Chairman

  
(Abdul Rehman Warraich)  
Commissioner

Announced on: 04 NOV 2025