



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 30 and 112 of 2021

Value Stock and Commodities (Pvt.) Limited

...Appellant

versus

Executive Director/HOD, Adjudication-I, SECP

...Respondent

Date of Hearing:

February 26, 2026

Present:

For the Appellant:

1. Mr. Mujtaba Al Basit (Authorized Representative through Zoom)

For the Respondent:

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

ORDER

1. This consolidated order shall dispose of Appeal No. 30 and 112 of 2021 filed by Value Stock and Commodities (Pvt.) Limited (the "Appellant") under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") against the orders dated January 06, 2021 (the "First Impugned Order") and March 26, 2021 (the "Second Impugned Order"). Both the aforesaid orders (collectively referred to as the "Impugned Orders") were passed by the Executive Director/Head of Department, Adjudication Department-I, Securities


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and Exchange Commission of Pakistan (the "Respondent") under Section 40A of the SECP Act.

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"). With regard to the First Impugned Order, an inspection of the Appellant was initiated by a Joint Inspection Team (the "JIT") in order to assess its compliance with the (Anti money laundering and Countering Financing of Terrorism) Regulations 2018 (the "AML/CFT Regulations") vide inspection notice No. T061 dated February 04, 2020 (the "Inspection Notice") covering review period from November 01, 2019 to January 31, 2020. The Inspection report revealed various non-compliances of the AML/CFT Regulations, which included:

- (i) During the inspection, the compliance officer of the Appellant informed that customers screening had been performed through National Counter Terrorism Authority Pakistan (the "NACTA") website, however, no mechanism had been defined for screening of customers, nominees, joint account holders, authorized persons, Board of Directors, trustees and officer bearers;
- (ii) It was noted that the Appellant company did not maintain the database of its customers, nominees, joint account holders and authorized persons, board of directors, trustees and office bearers;
- (iii) It was noted that the Appellant company did not have any effective mechanism and ability to check the name of proscribed persons in the list of customers and further that the Appellant did not perform periodic screening of its customers;
- (iv) The Appellant did not maintain database of customers containing detail of beneficial owners of its customers' accounts to perform the screening of beneficial owners;
- (v) It was observed that the identity documents in respect of nine clients had not been validated from NADRA verisys by the Appellant;
- (vi) It was observed that the Appellant failed to ascertain and document the source of funds of seven clients out of the selected sample files;


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- (vii) It was further observed that the Appellant did not provide the board's approval for its AML/CFT policies and procedures.
3. In light of the above-mentioned violations, the Respondent issued a show-cause notice dated July 17, 2020 (the "SCN-1") to the Appellant. Written response in reply to the SCN-1 was submitted by the Appellant vide letter dated August 17, 2020. A hearing in the matter was held on December 18, 2020, which was attended by the authorized representatives of the Appellant Company. The Respondent concluded the SCN-1 proceedings and not being satisfied with the stance taken by the Appellant, and in exercise of powers conferred under Section 40A of the SECP Act, imposed a penalty of Rs. 260,000/- (Rupees Two Hundred and Sixty Thousand only) upon the Appellant for the contravention/non-compliances of Regulation 4(a), 6(3)(a) and (c), note (i) and (ii) of Annexure I read with Regulation 6(4), Regulation 13(1), Regulation 13(3), Regulation 13(7) and Regulation 15(3) of the AML/CFT Regulations.
4. With regard to the Second Impugned Order, an offsite examination of the Appellant Company was conducted by the Broker Compliance Department ("BCD") and the Securities Market Division ("SMD") of the Commission for the period from July 01, 2019 to June 30, 2020, in order to assess the Appellant's compliance with the AML/CFT Regulations. Review and examination of the available record and copies of correspondence revealed that;
- (i) Customer due diligence (CDD) was not being carried out to ensure that the transactions being conducted are consistent with the regulated person knowledge of the customer, the customers' business and risk profile including source of funds and updating of the records and information, where necessary;
- (ii) It was observed that the Appellant was not carrying out on-going monitoring to ensure that the transactions are consistent with the regulated persons knowledge of the customer, its business and risk profile and where appropriate, the source of funds.
5. In light of the above-mentioned violations, the Respondent issued a show-cause notice dated February 19, 2021 (the "SCN-2") to the Appellant. Written response in reply to the SCN-2 was

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submitted by the Appellant vide letter dated March 06, 2021. A hearing in the matter was held on March 22, 2021, which was attended by the authorized representatives of the Appellant Company. The Respondent concluded the SCN-2 proceedings and not being satisfied with the stance taken by the Appellant, and in exercise of powers conferred under Section 40A of the SECP Act, imposed a penalty of Rs. 200,000/- (Rupees Two Hundred Thousand only) upon the Appellant Company for the contravention/non-compliances of Regulation 6(3)(c) and 13(1) of the AML/CFT Regulations.

6. That during the course of hearing of the Appeals, the Appellant, with candour and without prejudice to its legal rights and contentions, conceded before the Appellate Bench (the "Bench") that certain lapses were observed in its Anti-Money Laundering policy (the "AML policy") and related compliance framework at the relevant time. The Appellant clarified that such lapses were procedural and compliance-related in nature, and were neither deliberate nor indicative of any mala fide intent or willful violation of the applicable regulatory regime.
7. It was further submitted that immediately upon receipt of the respective show cause notices, the Appellant undertook corrective and remedial measures to address the identified deficiencies. In this regard, the Appellant revised and strengthened its AML policy, enhanced internal controls, and called for and obtained the requisite information and documentation from its customers in order to ensure full alignment with the applicable regulatory requirements. The Appellant emphasized that these steps were taken proactively and in good faith to ensure future compliance and to rectify any inadvertent shortcomings.
8. In light of the aforesaid admission and the subsequent remedial actions undertaken, the Appellant humbly prayed that the Bench may take into consideration the absence of any intentional wrongdoing, the corrective measures adopted, and the cooperative conduct demonstrated throughout the proceedings, and be pleased to adopt a lenient and equitable approach in the matter, including relaxation or mitigation of the penalty imposed under the Impugned Orders.

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9. The Respondent, while controverting the submissions advanced by the Appellant, categorically opposed the request for any mitigation or relaxation of the penalty imposed vide the Impugned Orders. It was submitted that the penalties had been imposed strictly in accordance with the applicable statutory framework and regulatory provisions governing AML compliance, after due process of law and upon affording the Appellant adequate opportunity of being heard. The Respondent contended that the violations established on record were not merely technical irregularities, but constituted clear contraventions of the mandatory compliance requirements, which the Appellant, being a regulated entity, was under a continuing statutory obligation to observe. It was argued that the findings recorded in the Impugned Orders were based on documentary evidence, inspection reports, and the Appellant's own admissions, and therefore did not suffer from any legal infirmity warranting interference by the Bench.
10. It was further submitted by the Respondent that subsequent rectification or post-facto compliance does not operate to condone, cure, or efface past violations. The Respondent asserted that regulatory liability crystallizes at the time of breach, and remedial measures taken after detection cannot absolve the defaulting party of the consequences arising from non-compliance during the relevant period and to hold otherwise would undermine the deterrent object of the regulatory regime and defeat the purpose of ensuring strict adherence to AML obligations.
11. In view of the foregoing submissions, the Respondent submitted that the Impugned Orders be maintained in toto and that the penalties imposed therein be upheld in their entirety, being lawful, proportionate and commensurate with the nature and gravity of the established contraventions.
12. The Bench has heard the parties and perused the record. In view of the foregoing discussion and upon careful consideration of the facts, submissions of the parties and the applicable provisions of law, we are of the view that the Appellant is in clear violation of AML/CFT Regulations, by failing to comply with the required regulations and not fully implementing the



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AML policy. The Appellant has also candidly admitted the existence of procedural lapses in its AML/CFT framework during the relevant review periods.

13. However, we acknowledge the fact that the Appellant has, at the earliest opportunity, taken corrective and remedial measures to strengthen its internal controls, revised its AML/CFT policy, implemented enhanced customer due diligence measures, and obtained requisite documentation from its clients. The assertion of *bona fide* mistake, though noted, cannot override a clear legal requirement.
14. It is a settled principle of administrative and regulatory jurisprudence that the object of imposition of penalty is corrective and deterrent rather than retributive. The quantum of penalty must satisfy the doctrine of proportionality and conform to the standards of fairness and reasonableness. Where a regulated entity has rectified the lapse, exhibited bona fide intent, and ensured sustained compliance, such subsequent conduct warrants due weight in equity. The principle that the penalty must correspond to the gravity and persistence of the default necessitates a balanced approach, preserving the deterrent purpose of the statute while avoiding disproportionate hardship.
15. In the circumstances, and in the exercise of the powers conferred under Section 33 of the SECP Act, we are of the considered view that a reduction in the penalties imposed under the Impugned Orders is warranted, without setting aside the findings of contravention of the AML/CFT Regulations.
16. Accordingly, the penalties imposed on the Appellant vide the First Impugned Order (Rs. 260,000/-) and the Second Impugned Order (Rs. 200,000/-) are hereby reduced by fifty percent (50%), resulting in:
- (i) A penalty of Rs. 130,000/- (Rupees One Hundred Thirty Thousand only) in respect of the First Impugned Order; and

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- (ii) A penalty of Rs. 100,000/- (Rupees One Hundred Thousand only) in respect of the Second Impugned Order.

17. Any person or party aggrieved by this Order may, within sixty (60) days from the date hereof, prefer an Appeal under Section 34 of the SECP Act, before the competent forum, strictly in accordance with law. Accordingly, the Appeal stands disposed of in the above terms with no order as to costs.

(Imtiaz Haider)
Commissioner

(Zeeshan Rehman Khattak)
Commissioner

Announced on:

11 MAR 2026