



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

### Appeal No. 57 of 2020

M/s. Backers & Partners (Pvt.) Limited

...Appellant

versus

Executive Director, Adjudication Department-I

...Respondent

Date of hearing:

February 19, 2026

Present:

For the Appellant:

Mr. Ahsan Ahmed (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. 57 of 2020 filed by M/s. Backers & Partners (Pvt.) Limited (the Appellant) through Mr. Ahsan Ahmed (Authorized Representative) against the Order dated March 24, 2020 (Impugned Order) passed by the Executive Director Adjudication-I (the Respondent) under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the Act).

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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. An inspection of the Appellant was conducted by the Joint Inspection Team (JIT) to assess the compliance with the requirements contained in the Securities and Exchange Commission of Pakistan (Anti-Money Laundering & Countering Financing of Terrorism) Regulations, 2018 (the Regulations). The JIT reported various non-compliances of the Regulations, in its review report dated November 8, 2019 (the Report), pursuant to inspection for the period August 1, 2019 to October 31, 2019. The report indicated violations of Regulations 4(a), 6(3)(a)(4), 9(4)(b), 13(7) and 15(3) of the Regulations. Therefore, a show-cause notice dated January 27, 2020 (SCN) was issued to the Appellant under section 40A of the Act. The Appellant replied to the SCN vide letter dated February 4, 2020, whereas the hearing in the matter was held on February 13, 2020. The Respondent concluded the SCN proceedings and imposed a penalty of Rs. 475,000/- on the Appellant for violating the requirements pertaining to the screening of clients, database of joint account holders/nominees/Board members/trustees, beneficial ownership, enhanced due diligence, and NADRA *Verisys*.
3. The Appellant assailed the Impugned Order, inter alia, on the ground that the same is violative of the doctrine of approbation and reprobation inasmuch as a penalty has been imposed on two counts which, according to the Appellant, were not expressly mentioned in the Report. It was further contended that the Appellant was maintaining a database of its clients and conducting requisite screening, and in support thereof, screenshots and email records reflecting nil/no match reporting to the Commission were produced. It was additionally submitted that during the relevant inspection period, the NADRA *Verisys* facility was not available for verification of clients' identification documents. The Authorized Representative pleaded that any violations or non-compliances were inadvertent and unintentional and, therefore, a lenient view may be adopted.

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4. The Respondent controverted the grounds raised in the Appeal and submitted that the doctrine of approbation and reprobation has no applicability to the facts of the present case, as the adjudication proceedings were founded upon the SCN and not confined strictly to the observations contained in the Report. It was contended that the Respondent was fully competent to independently evaluate the material on record and determine the existence of violations. It was further submitted that the Appellant failed to produce cogent and plausible evidence of screening and did not satisfactorily rebut the findings regarding non-maintenance of an adequate database of clients and their nominees. However, the Respondent conceded that during the inspection period, the NADRA *Verisys* facility was not accessible and that the issue was subsequently resolved, owing to which verification through NADRA *Verisys* was not feasible at the relevant time.
  
5. We have heard the learned representatives for the parties at considerable length and have carefully examined the record with their able assistance. It is an admitted position, as also acknowledged by the Respondent, that the NADRA *Verisys* facility was not available to the Appellant during the relevant inspection period and was permitted subsequently by NADRA. In these circumstances, the Appellant cannot be held liable for non-compliance on this specific count, as the law does not compel the performance of an impossibility. With regard to the remaining violations, the Bench has noted that the Appellant has failed to place on record contemporaneous evidence demonstrating full compliance with the requirements of the Regulations at the time of inspection. The material available indicates that the deficiencies were rectified subsequent to the inspection and that no further violations were reported thereafter. Such subsequent rectification and continued compliance constitute mitigating circumstances that merit consideration in determining the appropriate quantum of penalty.
  
6. 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

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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.

7. In view of the foregoing analysis and findings, we are of the considered opinion that the Impugned Order is sustainable insofar as its findings on the regulatory violations under the Regulations, save and except the violation of NADRA *Verisys*. However, considering the Appellant's subsequent compliant conduct, absence of repetitive breach, and in adherence to the principles of proportionality and fairness, the aggregate penalty is hereby reduced to Rs. 237,500/- (Rupees Two Hundred Thirty-Seven Thousand Five Hundred Only).
8. 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 Securities and Exchange Commission of Pakistan Act, 1997, 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:

**04 MAR 2026**