



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 58 of 2017

Investment Managers Securities (Private) Limited

...Appellant

Versus

The Commissioner (Securities Market Division), SECP, Islamabad.

...Respondent

Date of hearing:

May 22, 2025

Present:

For the Appellant:

Mr. Mohammad Javaid Qasim, Authorized Representative

For the Respondent:

1. Mr. Mubasher Saeed Saddozai, Executive Director, Adjudication Division, SECP.
2. Mr. Muhammad Faisal, Deputy Director, Adjudication Department-I, SECP.

ORDER

1. This order shall dispose of Appeal No. 58 of 2017 filed by Investment Managers Securities (Private) Limited (the Appellant) against the Order dated May 30, 2017 (the Impugned Order) passed by the Commissioner, Securities Market Division (the Respondent) under section 150 of the Securities Act, 2015 (the Act).



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2. The brief facts of the case are that the Appellant is a licensed securities broker under the regulatory regime administered by the Securities and Exchange Commission of Pakistan (the Commission). The Commission issued a Show Cause Notice (SCN) to the Appellant for its failure to submit quarterly financial statements for the periods ended June 30, 2016, September 30, 2016, and December 31, 2016 through the prescribed online Financial Reporting System (FRS), in contravention of the Securities and Exchange Commission of Pakistan's Circular No. 4 of 2013 dated April 16, 2013 (the Circular). In response to the SCN, the Appellant acknowledged the default and stated that the failure was due to technical issues both at its end and at the SECP server. The Appellant further submitted that it had manually submitted the financial statements and requested a lenient view. After a hearing, the Respondent, vide Impugned Order, imposed a monetary penalty of Rs. 300,000 upon the Appellant.
3. The Appellant has challenged the Impugned Order *inter alia* on the grounds that the Impugned Order is *mala fide* and the penalty imposed is unjustified. It is submitted that the failure to file returns through the online FRS was not intentional but resulted from technical problems in the Appellant's computer systems and the complexity and non-user-friendliness of the FRS. That the Appellant had manually submitted the quarterly financial statements to the Commission, thereby evidencing its *bona fide* intent to comply. It is committed by the Appellant to ensure future compliance. Lastly, the Appellant stated that the penalty of Rs. 300,000 is harsh and disproportionate, especially in light of the company's small size and financial constraints.
4. The Respondent, in its written comments and during the hearing, argued that the Impugned Order is a speaking order, based on factual and legal reasoning, and the Appellant's admission of default negates the claim of *mala fides*. The Respondent argued that the Commission had conducted awareness and training sessions on FRS in major cities, and it was the duty of licensed entities to ensure compliance with regulatory requirements. The Appellant did not file the quarterly returns for three quarters of 2016 through FRS prior to or after the issuance of the SCN till the date of the Impugned



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Order. The Respondent emphasized that the violation was of a serious nature and merited penal action under section 150 of the Act. The Respondent concluded the arguments and stated that the relief sought by the Appellant should not be granted as the Appellant failed to demonstrate any cogent reasons that would justify waiver or reduction of the penalty.

5. The Appellate Bench (the Bench) has heard the parties and carefully considered the submissions of both parties, the record of the case, the Impugned Order, and the applicable regulatory framework. It is an admitted position that the Appellant failed to submit the quarterly financial statements for three consecutive quarters of 2016 through the online FRS in violation of Commission Circular No. 4 of 2013. The Appellant has not disputed this fact and has accepted the default both in its reply to the SCN and in the Appeal. The Appellant's explanation attributes the non-compliance to technical issues at both its end and the SECP's server, coupled with the alleged complexity of the FRS. It is part of record that the Commission had indeed provided training and awareness opportunities with regard to the use of FRS, however, we find some merit in the contention that technical issues could occasionally affect compliance, particularly where manual submissions were made as an alternative.
6. The Appellate Bench, after careful consideration of the submissions made by the Appellant and the record placed before it, observes that the penalty imposed upon the Appellant for non-filing of financial statements through the FRS warrants interference. The Bench is inclined to consider the "manual submissions" as a mitigating factor. It has been established from the record that the Appellant had duly prepared its financial statements for the relevant periods and had submitted the same manually to the Commission within the prescribed timelines. The Bench is of the considered view that such manual submission of financial statements sufficiently demonstrates the Appellant's *bona fide* intent to comply with the statutory requirements and negates any element of wilful default or *mala fide* on its part. The Appellant's failure to file the said financial statements through the FRS appears to have occurred due to a technical glitch or system-related impediment, rather than deliberate non-compliance. The Bench



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further notes that the objective of the relevant statutory provision is to ensure timely preparation and submission of financial statements for regulatory oversight and public record, which in this case stands substantially fulfilled. Therefore, while the Bench does not condone the procedural lapse, it deems it appropriate, in the interest of justice and equity, to consider the mitigating factors surrounding the non-filing through FRS.

7. In our view, physical submission of financial statements mitigates the degree of culpability and demonstrates the Appellant's intent to comply with its obligations and this act also dispels the presumption of deliberate and intentional default or non-compliance. We are also mindful of the need to encourage compliance through progressive enforcement. Section 150 of the Act grants discretion to impose penalties, and such discretion must be exercised judiciously, considering mitigating and aggravating circumstances. In the instant case, the mitigating factors are the Appellant's manual filing of financial statements and assurance of future compliance warrant a reconsideration to the extent of penalty.

8. In this regard, the Bench is guided by the principle of proportionality enunciated by the Hon'ble Supreme Court in *Muhammad Nasir Ismail v. Government of Punjab* (SCMR 2025 SC 708), wherein it was observed that the "*penalty must not be excessively harsh in relation to the offense*". It was stated that "*Proportionality is assessed through a structured three-ponged test; First, whether the measure in question is suitable and bears a rational connection to the legitimate objective it seeks to achieve. Second, whether the measure is necessary, meaning no less restrictive or less onerous alternative exists to accomplish the same purpose. Third, whether the measure maintains a fair balance between the public interest and the rights of the individual, ensuring that the burden imposed is neither excessive nor oppressive in relation to the intended benefit*". Applying this test to the present case, the Bench finds that while ensuring compliance with filing obligations through the FRS is a legitimate regulatory aim, the imposition of a monetary penalty of Rs. 300,000 upon an entity that had otherwise prepared and manually submitted its financial statements, and where no mala fide intent is established, is disproportionate to the nature and gravity of the lapse. The

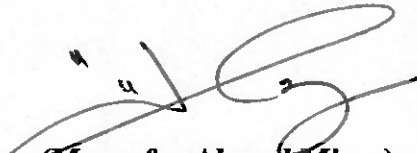


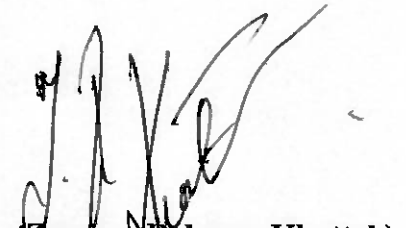
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objective of regulatory oversight has been substantially achieved, and a lesser or no penalty would have sufficed to achieve the intended purpose of deterrence and compliance.

9. In view of the foregoing, and considering the absence of *mala fide* intent and the fact that the primary obligation of preparing and submitting financial statements has been discharged, the Bench hereby *sets aside* the Impugned Order to the extent of the penalty imposed on the Appellant for non-filing of financial statements through FRS. Whereas, findings of the Impugned Order, shall remain unaffected by this decision.

10. In the above terms, the Appeal is disposed of without any order as to costs.


(Muzaffar Ahmed Mirza)
Commissioner


(Zeeshan Behman Khattak)
Commissioner

Announced on: 12 JAN 2026