



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 90 of 2023

Value Stock and Commodities (Pvt.) Limited

..... Appellant

versus

The Additional Director, Adjudication Department-I, Adjudication Division, SECP

..... Respondent

Date of Hearing:

February 26, 2026

Present:

For the Appellant:

Mr. Mujtaba Al Basit (Authorized Representative through Zoom)

For the Respondent:

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

## ORDER

1. This Order shall dispose of Appeal No. 90 of 2023 filed by Value Stock and Commodities (Pvt.) Limited (the "Appellant"), against the Order dated August 16, 2023 (the "Impugned Order"), passed by the Additional Director, Adjudication Department-I, Adjudication Division, SECP (the "Respondent"), under Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (the "AML Act") read along with Rules 4(1) and 6(1) of the AML/CFT Sanction Rules, 2020 (the "Rules") and Regulation 31 of the Securities and



## Securities and Exchange Commission of Pakistan

Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the “AML Regulations”) for the contravention of Regulation 10(a), (b) and c, and Regulation 11 read with clause (o) and Note (i) of Annexure-I of the AML Regulations.

2. Brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate (“TREC”) holder of Pakistan Stock Exchange Limited (“PSX”). An inspection vide inspection notice No. T285 dated September 02, 2022, was carried out by the Joint Inspection Team (“JIT”) to ascertain status of compliance with the requirements contained in the AML Regulations covering period of three (03) months starting from June 01, 2022 to August 31, 2022. The inspection revealed that the Appellant had, *prima facie*, committed the following violations of the AML Regulations:

- i. It had transpired that in (05) instances, the Respondent did not justify the reason of assigning low risk on Know Your Customer (KYC)/Customer Due Diligence (CDD) forms/risk categorization report, thereby controverting the requirements of Regulation 23(2) of the AML Regulations.
- ii. It was noted that in two (02) instances, the CDC sub-account of the corporate customers did not contain certain documents. In the first instance the CDC sub-account (A/c No. 21810), the Appellant could not provide KYC/CDD forms of the authorized person, board of directors and the ultimate beneficial owners of the customer. In the second instance the CDC sub-account (A/c No. 18774), the Appellant could not provide the latest financial statement of the corporate customer to ascertain its source of funds and further the KYC/CDD forms of the authorized person, board of directors and ultimate beneficial owners were not on record, thereby, controverting the provisions of Regulation 10(a), (b) and (c) and Regulation 11 read with clause (o) of Note (i) of Annexure -I of the AML Regulations.

3. In view of the aforesaid observations, the Respondent issued a show-cause notice dated January 03, 2023 (the “SCN”) to the Appellant. The Appellant submitted a written reply along with supporting documents on January 26, 2023. Hearing in the matter was held on



## Securities and Exchange Commission of Pakistan

July 06, 2023. Upon consideration of the material on record, the Respondent not being satisfied with the stance taken by the Appellant, held that sufficient compliance was not carried out at the relevant time. Accordingly, the Respondent concluded that violations of Regulation 10(a), (b) and (c) and Regulation 11 read with clause (o) of Note (i) of Annexure-I of the AML Regulations stood established and, in exercise of powers conferred under Regulation 31 of the AML Regulations read along with Section 6A(2)(h) of the Act and Rules 4(1) and 6(1) of the AML Act, imposed a penalty of Rs. 70,000 (Rupees Seventy Thousand only) upon the Appellant.

4. The Appellant has preferred the instant Appeal on the following grounds, *inter-alia*, that the inspection conducted pursuant to the notice dated September 02, 2022, covering the review period from June 01, 2022 to August 31, 2022, had been duly responded to and all observations raised by the JIT were comprehensively clarified through detailed written replies supported by documentary evidence. However, during the course of the hearing, the Appellant candidly conceded that certain non-compliances occurred during the relevant period. It was further asserted, that such deficiencies were neither deliberate nor willful, but were procedural and inadvertent in nature, arising from gaps in implementation rather than any intent to circumvent the applicable regulatory framework.
5. The Appellant further submitted that immediately upon issuance of the show cause notice, it undertook corrective and remedial measures to rectify the identified deficiencies, and the same were duly communicated to the Respondent. It has been emphasized that a strengthened internal compliance mechanism has since been instituted, including enhanced monitoring controls and improved AML oversight processes, to ensure strict adherence to the AML Regulations.
6. The Appellant further asserted that in view of the subsequent voluntary compliance, absence of mala fide intent, and demonstrable efforts to regularize and fortify its internal compliance structure, it has been prayed that a lenient view be adopted. The Appellant accordingly seeks waiver or substantial reduction of the penalty imposed under the Impugned Order and the grant of appropriate relief in the interest of fairness and proportionality.



## Securities and Exchange Commission of Pakistan

7. In response to the submissions advanced by the Appellant, the Respondent, *inter alia*, submitted that although the Appellant had subsequently rectified the contraventions identified during the course of the inspection, such subsequent rectification does not cure, condone, or absolve the illegality and non-compliances that were committed during the relevant period under review. The Respondent contended that regulatory compliance is required to be maintained at all times by regulated entities and that any subsequent corrective measures undertaken after the detection of violations cannot negate the fact that the contraventions had already occurred.
8. The Respondent further submitted that the Appellant, during the proceedings, had conceded to certain instances of non-compliance and had acknowledged lapses in fulfilling the applicable regulatory requirements. In view of such conceding statement and the findings recorded during the inspection, the Respondent argued that there exists no justification for granting any reduction or relief in the penalty amount imposed through the Impugned Order.
9. It was further emphasized by the Respondent that the regulatory framework governing securities brokers imposes a mandatory obligation upon regulated entities to strictly adhere to the applicable laws, rules, and regulations, particularly those relating to compliance and internal controls. According to the Respondent, failure to observe such obligations undermines the regulatory regime and therefore warrants the imposition of penalties as prescribed under the law.
10. In light of the foregoing, the Respondent maintained that the findings recorded in the Impugned Order are well-founded and based on the material available on record, and therefore the penalty imposed therein is justified. Accordingly, the Respondent prayed that the penalty amount imposed through the Impugned Order be upheld in its entirety and that no relief be granted to the Appellant.
11. The Appellate Bench (the "Bench") has carefully considered the submissions made by the Appellant and the Respondent, as well as the material available on record. The record reflects that certain deficiencies relating to maintenance of KYC/CDD documentation and risk categorization were observed during the inspection conducted by the JIT for the period



## Securities and Exchange Commission of Pakistan

from June 01, 2022 to August 31, 2022. The Appellant has also conceded that certain instances of non-compliance occurred during the relevant period. Therefore, the factum of contravention of the applicable provisions of the AML Regulations cannot be completely disregarded.

12. At the same time, it is noted that the Appellant has submitted that the deficiencies identified during the inspection were procedural in nature and were not committed with any mala fide intent. It has further been stated that upon receipt of the SCN, the Appellant undertook corrective measures and rectified the deficiencies, and the same were communicated to the Respondent. The Appellant has also asserted that it has since strengthened its internal compliance framework and adopted improved monitoring mechanisms to ensure adherence to the AML Regulations.

13. The Bench is of the view that while subsequent rectification of deficiencies does not absolve a regulated entity from liability for past non-compliances, such corrective actions and efforts to strengthen internal controls may nonetheless be considered as mitigating factors while determining the quantum of penalty. In the present case, there is nothing on record to suggest that the violations were deliberate, repetitive in nature, or carried out with any intent to circumvent the regulatory framework, although in corporate law there is no requirement of intent to be established. Nonetheless, it is also well settled that, in matters concerning regulatory compliance under corporate law, the establishment of intent is not a prerequisite for holding a party liable for non-compliance.


14. However, in view of the foregoing, while the findings recorded by the Respondent regarding the occurrence of contraventions cannot be set aside, we are of the view that the ends of justice would be adequately met if some leniency is extended to the Appellant in respect of the quantum of penalty imposed through the Impugned Order.

15. Accordingly, the penalty of Rs. 70,000/- (Rupees Seventy Thousand only) imposed upon the Appellant through the Impugned Order is reduced to Rs. 35,000/- (Rupees Thirty-Five Thousand only).



## Securities and Exchange Commission of Pakistan

16. 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 is disposed of in the above terms with no order as to costs.

  
(**Zeeshan Rehman Khattak**)  
Commissioner

  
(**Imtiaz Haider**)  
Commissioner

Announced on:

**11 MAR 2026**