



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

### Appeal No. 92 of 2020

General Investment & Securities (Private) Limited

..... Appellant

versus

Executive Director, Adjudication Department-I, SECP

.....Respondent

Date of hearing:

March 12, 2026

Present:

For the Appellant:

Mr. Sohail Sardar, Authorized Representative

For the Respondent:

1. Mr. Sohail Qadri, Director/HOD, Adjudication Department-I, SECP
2. Mr. Hammad Ahmed, Assistant Director, Adjudication Department-I, SECP

## ORDER

1. This Order shall dispose of Appeal No. 92 of 2020 filed by General Investment & Securities (Private) Limited (the "Appellant"), against the Order dated July 13, 2020 (the "Impugned Order"), passed by the Executive Director (Adjudication Department-I), SECP (the "Respondent"), under the provisions of the Securities and Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "AML Regulations") read with Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") and Section 150 of the Securities Act, 2015.



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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 (“PSX”) and a licensed securities broker with the Securities and Exchange Commission of Pakistan (the “Commission”). The Brokers’ Compliance Department of the Commission initiated a limited-scope thematic review (the “Review”) of the Appellant to assess its compliance with the AML Regulations and related directives. Findings of the Review were communicated to the Appellant vide Letter of Findings (“LOF”) dated July 09, 2019. The Review revealed several violations/non-compliances, *inter alia*, deficiencies in the Appellant’s AML/CFT Policy, failure to appoint a designated Compliance Officer, submission of quarterly rather than mandatory monthly compliance reports and failure to establish an independent internal audit function for testing AML/CFT (anti-money laundering/countering financing of terrorism) systems. Pursuant to these findings, the Respondent issued a Show-Cause Notice dated May 12, 2020 (the “SCN”) to the Appellant and its Compliance Officer. After considering the Appellant’s written reply dated July 04, 2020, and affording hearing opportunities on July 02, 2020 and July 09, 2020, the Respondent imposed an aggregate monetary penalty of Rs. 350,000/- (Rupees Three Hundred and Fifty Thousand Only) on the Appellant, comprising Rs. 300,000/- under Section 40A of the SECP Act, 1997 and Rs. 50,000/- under Section 150 of the Securities Act, 2015.
3. The Appellant has challenged the Impugned Order, *inter alia*, on the grounds that the Respondent failed to appreciate the circumstances confronting the Appellant and the substantial compliance efforts undertaken by it both prior to and in the course of the proceedings. With regard to the AML/CFT Policy (the “Policy”) deficiencies, the Appellant submitted that following the promulgation of the AML Regulations on June 13, 2018, it had commenced the process of updating the Policy. However, SECP issued fresh Guidelines on April 14, 2019 on anti-money laundering, combating the financing of terrorism and proliferation financing, necessitating the Policy revision to accommodate the new requirements.
4. As regards the assignment of Compliance Officer duties to the Manager Accounts, the Appellant submitted that during the years 2018 and 2019, the stock market index declined from 50,000 plus points to 29,000 points and the Appellant was compelled to reduce its



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expenses due to an extraordinary reduction in its income. The Appellant accordingly contended that it assigned the task of Compliance Officer to the Manager Accounts on a temporary basis during this period of financial difficulty. The Appellant further stated that a separate, designated Compliance Officer had thereafter been appointed and that this was duly reported to the Commission in the reply to the SCN dated July 04, 2020. Similarly, with regard to the failure to establish a full-fledged independent internal audit function, the Appellant submitted that the appointment of a qualified person for the role involved a significant financial burden, which the Appellant was not in a position to afford during the market slump period. The Appellant further contended that difficulties of that period were compounded by the impact of COVID-19 in 2020, and that it had duly informed the Respondent that the process of setting up an internal audit function was underway, but the Respondent did not consider this and proceeded to penalise the Appellant. The Appellant accordingly prayed that, keeping in view the above-stated factors, a lenient view be taken and the penalty imposed by the Impugned Order be waived off.

5. The Respondent contended the grounds of the Appeal and presented arguments in support of the Impugned Order. With regard to the Policy deficiencies, the Respondent denied the Appellant's contentions and submitted that the AML Regulations were promulgated in June, 2018 and that the Appellant was required to immediately update the Policy and procedures in accordance with Regulation 4(a) of the AML Regulations. The Respondent averred that after a lapse of over one year, the Appellant's Policy remained deficient with respect to various areas as highlighted in the SCN, including risk assessment, risk mitigation, enhanced due diligence, STR/CTR reporting requirements and high-risk classification factors.
6. With regard to the Compliance Officer and independent internal audit function, the Respondent denied the Appellant's submissions and stated that the requirement for a designated Compliance Officer has been prescribed under the Securities Brokers (Licensing & Operations) Regulations, 2016 ("Licensing Regulations") since the year 2016, and that the job and responsibilities of the Compliance Officer with regard to the AML/CFT functions are further provided in the AML Regulations, 2018. The Respondent averred that the Appellant had not appointed a designated Compliance Officer until the



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Review and that its Manager Accounts was also performing the compliance functions, with compliance reports being co-signed by the internal auditor, which is contrary to the essence of both the Licensing Regulations and the AML Regulations. The Respondent further contended that the Appellant's plea of financial constraints, arising from the decline in the market index, cannot be accepted as justification for non-compliance with a statutory obligation and the Appellant was, accordingly, found non-compliant with Regulation 4(d) & 18(c)(iii) of AML Regulations and Regulation 16(9)(e) & 16(9)(f) of the Licensing Regulations, during the review period. Further, the Appellant failed to submit monthly compliance report as required under Regulation 29(5) of the Licensing Regulations without any plausible justification. The Respondent accordingly prayed that the instant Appeal be dismissed and the Impugned Order be upheld.

7. The Appellate Bench (the "Bench") has heard the arguments advanced by both parties and has undertaken a careful examination of the record and submissions placed before it. The Bench notes that the Review conducted by the Commission in 2019 revealed gaps in the Appellant's compliance of the AML Regulations promulgated in June, 2018 and the Licensing Regulations promulgated in 2016. The Bench has given due consideration to the Appellant's plea that the need to revise the Policy was complicated by the issuance of fresh SECP Guidelines on April 14, 2019 on AML/CFT, which necessitated further modifications to an already ongoing policy revision process. At the same time, the Bench observes that the AML Regulations were promulgated in June, 2018 and that the Appellant had over a year before the LOF was issued in July 2019 during which to update and implement the Policy in accordance with the regulatory requirements, however, the Policy remained materially deficient in multiple respects at the time of the Review. The Bench therefore finds that the Appellant's explanation, while not entirely without merit, does not sufficiently account for the extent of the deficiencies identified and time taken to align the Policy with the requirements contained in the regulatory framework.
8. With respect to the Compliance Officer, the Bench observes that the requirement to appoint a designated Compliance Officer has been in place since the Licensing Regulations, 2016 and was further reinforced under the AML Regulations, 2018. In the present case, the Appellant did not fully meet the requirement, as the role was assigned to the Manager Accounts and the compliance reports were co-signed by the internal



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auditor, an arrangement, not fully aligned with the intended spirit and the applicable AML/CFT framework. The Bench, however, acknowledges that the Appellant is a relatively small brokerage house that faced significant financial constraints during the market downturn of 2018–2019 and recognizes the practical difficulties smaller regulated entities may encounter in establishing a fully independent compliance and audit structure. The Hon'ble Supreme Court of Pakistan in case titled "*District and Sessions Judge (Authority), Jhang v. Ghulam Shabbir*" (2026 SCMR 357) has affirmed that administrative authorities, when exercising discretionary powers, must maintain a fair balance between the adverse impact of their decisions and the legitimate regulatory objectives they seek to achieve, applying a structured proportionality analysis. For ease of reference, the relevant excerpts from the judgment cited above are reproduced hereunder:

*"5. The Tribunal without explicitly mentioning it, has relied upon the principle of proportionality to reduce the penalty imposed on the respondent. At its core, the principle of proportionality requires that when an administrative authority exercises discretionary power, it must strike a fair balance between the adverse effects of its decision on the rights, liberties, or interests of individuals and the legitimate aim or purpose the decision seeks to achieve. A more refined version of the principle of proportionality analysis adopts a structured, four-stage test, requiring courts to address the following questions to determine whether an impugned measure is constitutionally or legally justifiable. It includes: (i) Legitimacy: Does the action pursue a legitimate objective recognized by law? (ii) Suitability (Rational Connection): Is the measure capable of achieving that objective, i.e., is there a rational nexus between the means employed and the aim pursued? (iii) Necessity: Could the same objective have been achieved through a less restrictive or less onerous alternative? and (iv) Proportionality stricto sensu (Balancing): Does the measure maintain a fair balance between the severity of its impact on the individual and the importance of the public interest it serves?"*

*6. The principle of proportionality also finds firm footing within our*



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*constitutional framework, particularly in Article 4 of the Constitution of the Islamic Republic of Pakistan, 1973, which guarantees that to enjoy the protection of law and to be treated in accordance with law is the inalienable right of every citizen; Article 14, which affirms the inviolable dignity of person; and Article 25 which safeguards against discrimination. These provisions collectively impose a duty upon the courts to ensure that executive or disciplinary measures not only pursue lawful objectives but do so in a manner that is just, fair, and proportionate.”*

9. The Bench further observes that the violations were not associated with any actual instance of money laundering or terrorist financing activity, nor was any such allegation raised against the Appellant or its clients. Furthermore, the Appellant took remedial steps after the Review, including the appointment of a designated Compliance Officer and initiation of the process of establishing an independent audit function, thereby demonstrating a degree of willingness to comply with its regulatory obligations. The adverse economic conditions prevailing at the relevant time, further aggravated by the outbreak of COVID-19 in 2020, are also noted by the Bench as additional contextual factors warranting a measured consideration of proportionality in the quantum of penalty. In determining the appropriate quantum of penalty, the Bench is guided by the principle affirmed by the Hon’ble Supreme Court of Pakistan in case titled “*Mst. Shahida Siddiqua v. Allied Bank Limited*” (2024 SCMR 92), wherein it was held that a penalty must be proportionate to the guilt and that the punishment must reflect the degree of moral culpability associated with the offence. Relevant paragraph of the judgment is reproduced hereunder:

*“6. It is a settled proposition of law that a penalty should be proportionate to the guilt. The modern notion of proportionality requires that the punishment ought to reflect the degree of moral culpability associated with the offence for which it is imposed...”*

10. In view of the foregoing, the Bench concludes that while the penalty imposed by the Respondent was lawful and within the regulatory authority’s mandate, a degree of leniency in the quantum of penalty is warranted. Accordingly, the aggregate penalty



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imposed on the Appellant is reduced to Rs. 100,000/- (Rupees One Hundred Thousand Only). The Appellant is further directed to ensure full compliance with all applicable regulatory requirements, including the AML Regulations and the Licensing Regulations.

11. Accordingly, the Appeal is disposed of on the above terms with no order as to costs.

(Muzzafar Ahmed Mirza)

Commissioner

(Imtiaz Haider)

Commissioner

Announced on:

08 APR 2026