



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 96 of 2022

General Investment & Securities (Pvt.) Limited

...Appellant

versus

Director/ Head of Wing, Adjudication Department-I

...Respondent

Date of hearing:

March 12, 2026

Present:

For the Appellant:

Mr. Sohail Sardar, Compliance Manager

For the Respondent:

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

## ORDER

1. This order shall dispose of Appeal No. 96 of 2022 filed by General Investment & Securities (Pvt.) Limited (the Appellant) against the Order dated September 21, 2022 (the Impugned Order) passed by the Director/ Head of Wing, Adjudication Department-I (the Respondent).
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 by the Securities and Exchange Commission of Pakistan (the Commission) under the Securities Act, 2015. An inspection

Appellate Bench

Appeal No. 96 of 2022

Page 1 of 4



## Securities and Exchange Commission of Pakistan

of the Respondent was conducted vide an order dated November 5, 2021 (the Inspection) to ascertain the Appellant's compliance with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the AML Regulations) covering the period of three (3) months from August 1, 2021, to October 31, 2021. The Inspection observed that, as required under Clause (o) of Note (i) of Annexure 1 read with Regulation 9 of the AML Regulations, the Appellant failed to meet the requirements of customer due diligence (CDD) and know your customer (KYC). At the time of the Inspection, the Appellant had not produced evidence regarding the details of the employer/business/source of funds of seven clients. Moreover, in violation of the requirement contained under Regulation 27 (l)(d) of the AML Regulations, the Appellant also failed to provide evidence that it has an independent audit function to test AML/CFT systems, policies, and procedures. In view of the above violations, a show-cause notice dated February 18, 2022 (the SCN), was issued under Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010, read with rules 4(1) and 6(1) of the AML/CFT Sanctions Rules, 2020, and Regulation 31 of the AML Regulations. The Appellant submitted a detailed written reply to the SCN vide letter dated February 24, 2022, whereas the hearing in the matter was held on August 11, 2022. The Respondent concluded the SCN proceedings and imposed a penalty of PKR 370,000/- on the Appellant.

3. The Appellant has assailed the Impugned Order, inter alia, on the ground that at the time of opening clients' accounts, the requisite particulars regarding the source of income are duly obtained and recorded in the KYC form. It was submitted that, in accordance with the customer due diligence requirements prescribed under the AML Regulations, the Appellant regularly monitors clients' transactions to ensure that such transactions correspond with the respective client profiles. The Appellant further submitted that it had previously engaged an internal auditor on a contractual basis to review its internal controls; however, the internal audit function has now been formally outsourced. The Appellant also contended that subsequent to the Inspection, it has brought its procedures into conformity with Clause (o) of Note (i) of Annexure-1 read with Regulation 9 and Regulation 27(l)(d) of the AML Regulations.
4. The Respondent controverted the grounds raised in the Appeal and submitted that, at the time of the Inspection, the Appellant failed to produce contemporaneous documentary evidence demonstrating compliance with Clause (o) of Note (i) of Annexure-1 read with Regulation 9 of the AML Regulations,



## Securities and Exchange Commission of Pakistan

particularly with regard to the employer, business, or source of funds of the highlighted clients. According to the Respondent, to establish its compliance with the requirements of the AML Regulations, the material subsequently furnished by the Appellant was obtained only after the Inspection; hence, it may not undo the default committed by the Appellant. It was further submitted that the Appellant also failed to provide pre-inspection evidence showing the existence of an independent audit function designed to test the AML/CFT systems, policies, and procedures as required under Regulation 27(1)(d) of the AML Regulations. Nevertheless, the Respondent acknowledged that subsequent to the Inspection, the Appellant has outsourced its internal audit function.

5. The Appellate Bench (the Bench) has heard the learned representatives of the parties at considerable length and has carefully examined the record with their able assistance. Upon perusal of the material available on record, the Bench observes that the Appellant has not been able to place contemporaneous documentary evidence demonstrating that the requirements of the Regulations were fully complied with at the time of the Inspection. The record, however, reflects that the deficiencies identified during the Inspection were subsequently rectified and that the Appellant has since taken steps to align its internal processes with the applicable regulatory framework. The Bench further notes, as a matter of relevance, that the Appellant operates as a relatively small-sized brokerage house, and there is nothing on record to suggest that the Respondent took this factor into due consideration while determining the quantum of penalty. The subsequent rectification of deficiencies and the absence of any further reported violations, therefore, constitute mitigating circumstances that merit due consideration in the determination of an appropriate regulatory sanction.
6. It is a well-established principle of administrative and regulatory jurisprudence that the object of imposing a penalty is primarily corrective and deterrent rather than punitive or retributive. The determination of the quantum of penalty must conform to the doctrine of proportionality and must meet the standards of fairness, reasonableness, and equity. Where a regulated entity has rectified the identified lapse, demonstrated *bona fide* intent, and ensured continued compliance with the regulatory framework, such subsequent conduct constitutes a relevant mitigating factor. In this context, the principle that a regulatory sanction must bear a reasonable nexus with the gravity, nature, and persistence of the default requires the adjudicating authority to adopt a balanced approach,



## Securities and Exchange Commission of Pakistan

safeguarding the deterrent purpose of the statute while avoiding the imposition of a penalty that may operate in a disproportionately onerous manner, particularly upon smaller regulated entities.

7. In view of the foregoing analysis and findings, the Bench is of the considered opinion that the Impugned Order is sustainable to the extent of its findings regarding the regulatory violations under the applicable Regulations. However, considering the Appellant's subsequent compliance, the absence of repetitive or persistent breach, the corrective measures undertaken after the Inspection, and the principle of proportionality governing regulatory sanctions, particularly in the context of the Appellant being a small-sized brokerage entity, the Bench considers it appropriate to modify the Impugned Order only to the extent of the quantum of penalty. Accordingly, the penalty imposed is reduced to Rs. 100,000/- (Rupees One Hundred Thousand Only).
8. The Appellant is advised to ensure strict adherence to the requirements of the AML General and other applicable regulatory provisions in the future, failing which it shall be liable to attract strict and enhanced penal consequences under the law.
9. 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, 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.

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(Imtiaz Haider)

Commissioner

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(Muzzafar Ahmed Mirza)

Commissioner

Announced on:

**31 MAR 2026**

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Appellate Bench

Appeal No. 96 of 2022

Page 4 of 4