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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**Adjudication Department- I****Adjudication Division**

ORDER	
Name of Company:	M/s. Hamza Farhad Securities (Pvt.) Limited
Show Cause Notice No. & Date:	2(296)SMD/Adj-1/2021-75 dated September 04, 2024
Date(s) of Hearing(s):	(i) May 13, 2025; and (ii) May 21, 2025.
Case represented by:	Mr. Khalid Butt, Chief Executive Officer (the Authorized Representative)
Provision of law involved:	Section 150(2) of the Securities Act, 2015 read with Regulation 36(1) of the Securities Brokers (Licensing & Operations) Regulations, 2016 and Circular No. 2 of 2021 dated January 28, 2021
Date of the Order:	May 29, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through Show Cause Notice No. 2(296)SMD/Adj-1/2021-75 dated September 04, 2024 ("SCN") issued to M/s. Hamza Farhad Securities (Private) Limited (the "Company" and/or the "Respondent") under Section 150(2) of the Securities Act, 2015 (the "Act") read with Regulation 36(1) of the Securities Brokers (Licensing & Operations) Regulations, 2016 (the "Regulations") and Circular No. 2 of 2021 dated January 28, 2021 (the "Circular").

2. Provisions of the Circular require all securities brokers/TREC holders to develop a Standard Trial Balance Report ("STBR") as per the given format and to upload the Report on their respective e-services portal within ten calendar days after the end of each month where the Circular is issued pursuant to provision of Regulation 36(1) of the Regulations which duly prescribes that the Commission may by written notice require a securities broker to submit to the Commission such information or periodic returns as it may require.

3. Furthermore, any contravention of the afore-said provisions of the Regulations and the Circular attract penal action in terms of Section 150(2) of the Act, which is provided as under:

Section 150(2) of the Act:

"(2) Subject to section 151, where a licensed person is or was at any time, guilty of misconduct, the Commission may make one or more of the following orders, separately or in addition to any power exercisable under clause (i), (ii) or (iii) of sub-section (1) that the licensed person shall pay to the Commission by way of penalty such sum,—

(a) not exceeding fifty million rupees;

(b) not exceeding the amount of any profit gained or loss avoided by the licensed person as a result of the misconduct in question;

(c) appropriate to reimburse the Commission for the costs and expenses it has reasonably incurred in relation or incidental to the investigation of the licensed person's conduct.

(5) In this section "misconduct" means—

(a) a contravention of any of the provisions of this Act, the rules, regulations made by the Commission or regulations made under this Act;

(b) a contravention of any of the terms or conditions of a licence granted under this Act;

(c) failure to comply with a direction of the Commission; or

(d) an act or omission by a licensed person in relation to his activity which, in the opinion of the Commission, is or is likely to be prejudicial to the public interest, and the expression "guilty of misconduct" shall be construed accordingly."

4. Brief facts of the case are that a thematic review was conducted by the Commission to ascertain the compliance status of the Company with the requirements of the Circular and it transpired that:

(i) The Company failed to submit STBR on Brokers Liquidity and Assets Segregation Review System ("BLASRS") in accordance with the requirements of Circular for the period of twelve months starting from April 2023 to March 2024.

(ii) Subsequently, the Company again remained non-compliant for the period April 2024 to June 2024.

5. In order to probe, the matter was taken up with the Company vide Commission's email dated July 10, 2024, followed by reminder dated July 15, 2024 and the Company in its response vide email dated July 22, 2024, *inter alia*, submitted:

"During the renewal process, we had requested the concerned to fix the prevailing issue and at that moment they could only resolve our Quarterly Filing option issue and the BLASR portal issue could not be resolved due to technical issues since the update. However, the issue has been resolved recently i.e. on July 18, 2024 and we hereby request to grant us 1-day extension to completely upload all our pending Trial Balances on BLASR portal and to furnish our response respectively, i.e. by July 23, 2024.

6. Based on the afore-said information, the Company was advised vide email dated July 22, 2024 to provide the copy of communication with the Commission regarding the non-working of BLASR portal, however, no response was received from the Company. In light of aforesaid, the Company, *prima-facie*, failed to comply with the requirements of the Circular read with Regulation 36(1) of the Regulations which attracts a penal action in terms of Section 150(2) of the Act.

7. Having being not satisfied with the aforesaid response, SCN was issued to the Respondent to show the cause in writing as to why a penal action may not be taken for non-compliance of the mandatory requirements of the Act and the Circular. However, the Company failed to provide any written response to the SCN.

8. In order to provide opportunity of personal representation, hearing in the matter was fixed on May 13, 2025. The Company informed that they had not received SCN and the earlier hearing notice and requested for re-fixing of the hearing. However, it is pertinent to observe that the record of the Commission clearly shows that the SCN was duly sent on the email address compliance.hfsppl@hotmail.com on December 16, 2024 which was also acknowledged by the Company, but no response submitted. In order to meet the ends of justice, another hearing in the matter was fixed on May 21, 2025 on which date the Mr. Khalid Butt, Chief Executive Officer (CEO), appeared before the Adjudication Officer as the Authorized Representative on behalf of the Company (the "Authorized Representative"). During the course of hearing proceedings, the Authorized Representative made the following arguments:

(i) *There was a delay in STBR on BLASR due to a technical issue in the BLASR Portal of the Company which was also raised with the Commission.*

(ii) *The Company was facing software application issues and now, with the change of the vendor, the issues have been resolved.*

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(iii) *The Company has now updated the STBR reporting on BLASR portal till December, 2024 and subsequent periods reporting will also be completed in the current month.*

(iv) *Lenient view may be taken against the Company.*

9. I have reviewed the facts of the case and also considered the submissions made by the Respondent through its CEO. I have also reviewed the relevant provisions of the Regulations and the Circular, especially the relevant clauses of Section 150(2) of the Act. It is important to observe that in relation to the STBR submissions on the BLASR portal for the period April 2023 to June 2024, the Company has provided screenshots reflecting reporting only for the period September 2024 to April 2025. However, upon confirmation from the relevant department of the Commission, it was established that the Company had submitted the STBRs for April 2023 to June 2024 with considerable delays. The Company also shared a screenshot of a complaint dated July 22, 2024, purportedly highlighting technical issues with the BLASR portal. Notably, in an email on the same date i.e. July 22, 2024, the Company confirmed that the portal issue had been resolved as of July 18, 2024. Despite the resolution, the Company remained non-compliant and failed to make timely submissions for the twelve-month period from July 2023 to June 2024. These reports were eventually filed in May 2025, well beyond the prescribed deadlines. It is also pertinent to observe that even as of the date of this order, the Company has not been able to achieve the currency of compliance and reporting since December 2024 yet remains pending as confirmed during the hearing.

10. In view of the foregoing, the contravention of Regulation 36(1) of the Regulations and the Circular have been established beyond doubt which attracts a penal action in terms of Section 150(2) of the Act. I have also given due attention to the grounds presented by the Authorized Representative, however, none of the ground justifies the earlier and current delays which amounts to its inability to adhere to the provisions of the law. I, therefore, in terms of powers conferred under Section 150(2) of the Act read with S.R.O.1545(I)/2019 dated December 06, 2019, hereby, impose a penalty of **Rs.25,000/- (Rupees Twenty-Five Thousand only)** on the Respondent.

11. The Respondent is also strictly ADVISED to complete all pending filing till the period/month closing on or before May 30, 2025 and report the same to the Supervision Division of the Commission.

12. The Respondent is, hereby directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 162 of the Act will be initiated for recovery of the penalty/fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.


(Sohail Qadri)
Director/ Head of Department
Adjudication Department-I

Announced:

Dated: May 29, 2025

Islamabad.

