



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

ORDER	
Name of Company:	M/s. Security Investment Bank Limited
Show Cause Notice No. & Date:	SCD/Adj-I/SIBL/63/2019-756 dated August 25, 2025
Name(s) of Noticee(s):	(i) Mr. Haji Jan Muhammad, Chairman; (ii) Mr. Zafar M. Sheikh, CEO/ President; (iii) Mr. Muhammad Mehboob, Director; (iv) Mrs. Zillay Huma Khan, Director; (v) Mr. Faisal Zahid, Director; (vi) Mr. Farrukh Siddiqui, Director; (vii) Mr. Muhammad Bilal Chaudhry, Director; (viii) Mr. Shaukat Zaman, Director; (ix) Mr. Azam Khan Ghauri, Director; (x) Mr. Shakeel Ahmed, Chief Financial Officer; and (xi) M/s. Security Investment Bank Limited.
Date of Hearing:	(i) September 29, 2025; and (ii) October 31, 2025
Case represented by:	(i) Mr. Zafar M. Sheikh, CEO/ President; (ii) Mr. Shakeel Ahmed, CFO; (iii) Mr. Tehseen Ul Haq, Head of Operations; and (iv) Mr. Buniad Haider, Regional Manager Islamabad <i>As the Authorized Representatives of the Noticee(s) No. (i) to (vii) and Noticee(s) No. (ix) to (xi).</i>
Provision of law involved:	S.R.O. 633(I)/2014 dated July 10, 2014 read with Section 510(2) of the Companies Act, 2017.
Date of Order:	November 07, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through Show Cause Notice No. SCD/Adj-I/SIBL/63/2019-756 dated August 25, 2025 ("SCN") against M/s. Security Investment Bank Limited (the "Company") and its Board of Directors (BOD) including Chairman, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), hereinafter collectively referred to as the "Noticee(s)", issued under Section 510(2) of the Companies Act, 2017 (the "Act") read with S.R.O. 633(I)/2014 dated July 10, 2014 (the "SRO").

2. The Commission directed listed companies through the SRO to follow the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board for the preparation of the balance sheet and profit and loss account or income and expenditure account.

3. Para 18 of IAS 24 'Related Party Disclosures', ("IAS 24") provides that if an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include: (a) the amount of the transactions; (b) the amount of outstanding balances, including commitments and guarantees; (c) provisions for doubtful debts related to amount of outstanding balances; and (d) the expense recognized during the period in respect of bad or doubtful debts due from related parties. Moreover, Clause VI(1)(v) of Fourth Schedule of the Act also provides that name of associated companies or related parties or undertakings, with whom the company had entered into transactions or had agreements and/or arrangements in place during the financial year, along with the basis of relationship describing common directorship and percentage of shareholding shall be disclosed in the financial statements.

4. The aforementioned defaults attract the applicability of penal action in terms of sub-section (2) of Section 510 of the Act which provides that any person, who obstructs or contravenes or does not comply

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with any directive, prudential requirements, codes, circulars or notifications, given under this section shall be liable to a penalty of level 3 on the standard scale.

5. The brief facts of the case are the Company was incorporated on May 23, 1991 as a public limited company under the repealed Companies Ordinance, 1984 (the “**Ordinance**”) now the Act and was licensed by the Commission as a Non-Banking Finance Company (“**NBFC**”) to carry out the business of investment finance services. The Company is listed on the Pakistan Stock Exchange (“**PSX**”).

6. Furthermore, Inspection of the Company was conducted vide Inspection Order No. SECP/OD/SIBL/2024-25/468 dated August 29, 2024, issued under Section 282I of the Ordinance and Section 6A(2)(f) of the Anti-Money Laundering Act, 2010 read with SRO 380(I)/2021, covering period from **July 01, 2023 to June 30, 2024** (the “**Inspection Period**”). The scope of the Inspection included evaluating compliance with the applicable regulatory framework, covering operational activities, financial health, governance, and internal control environment. The Inspection team shared its findings vide letter dated December 23, 2024 (“**LOF**”) with the Company and the reply thereon was duly considered in the concluded Inspection Proceedings. The Inspection revealed as under:

- (i) Review of the annual accounts for the year ended December 31, 2024 of the Company (the “**Accounts**”) transpired that the Income on financing from related party was disclosed without any disclosure of executed transactions. Moreover note 12.3 of Accounts stated that; “*Certain financing arrangements have been made with related parties*” without disclosure of those transactions.
- (ii) The inspection team also acquired copies of the representation letters provided by the Company to its external auditors namely, M/s. Baker Tilly Mehmood Idrees Qamar Chartered Accountants (the “**Auditors**”) relating to the annual accounts for the years ended December 31, 2022, and December 31, 2023.
- (iii) Inspection team further observed that following financing arrangements/ disbursement to related parties were executed by the Company from July 01, 2022 to June 30, 2024, however the same were not disclosed in the annual accounts of the Company for the years ended December 31, 2022 and 2023 [2024].

Name	Account No.	Voucher type	Voucher Date	Disbursed Amount
New Delite Company Limited	3302011437	PV	18-Jul-22	10,000,000
New Delite Company Limited	3302011438	PV	19-Sep-22	30,000,000
New Delite Company Limited	3302011438	PV	12-Oct-22	10,000,000
New Delite Company Limited	3302011439	PV	31-Oct-22	45,000,000
New Delite Company Limited	3302011439	PV	15-Dec-22	40,000,000
New Delite Company Limited	3302011441	PV	7-Jul-23	25,000,000
New Delite Company Limited	3302020001	PV	10-Nov-23	40,000,000
New Delite Company Limited	3302020001	PV	10-Nov-23	10,000,000
New Delite Company Limited	3302020004	PV	27-Mar-24	10,000,000
New Delite Company Limited	3310010025	PV	25-Apr-24	3,650,000
New Delite Company Limited	3310010027	PV	7-Jun-24	40,000,000
New Delite Company Limited	4109020001	PV	21-Jun-24	15,000,000
New Delite Company Limited	4109020001	PV	24-Jun-24	15,000,000
Ocean Wires and Cable Co	3302011436	PV	18-Jul-22	50,000,000
Stallion Deliveries	3310010021	PV	8-Sep-22	1,510,000
Stallion Deliveries	3310010024	PV	26-Jan-24	1,900,000
Madina Electronics	3302020002	PV	16-Jan-24	30,000,000
Maryam Goods Transport Pvt Ltd	3310010026	PV	14-May-24	22,050,000
Total disbursement to related parties				399,110,000

Order in the matter of M/s. Security Investment Bank Limited, its Board of Directors and CFO dated November 07, 2025

- (iv) Review of the representation letter dated March 21, 2024 transpired that following representation regarding related party disclosures for the annual accounts as of December 31, 2023 was provided under point 12 of the said representation letter:

We confirm completeness of all transactions and balances given in note no. 37 and note no. 31 regarding all related parties as well as Directors and Executives remuneration are disclosed properly and have been approved in the year by the competent authority.

However the Company neither disclosed its financial exposure to related parties to the auditors nor disclosed the same in annual accounts as of December 31, 2023. Similar issue was found in the representation letter relating to annual accounts as of December 31, 2022.

- (v) The Company in its reply to the aforesaid findings of the Inspection Report, shared with them through the LOF, stated that *SIBL's management did place the question of related parties' transactions before its internal committees, however, due to an oversight the same was not reflected in the financial statement. The Management undertakes to rectify this error and amend the statements accordingly.*

7. Taking cognizance in the matter, a SCN was served upon the Noticee(s) to show the cause in writing as to why a penal action may not be taken against them under Section 510(2) of the Act for aforesaid non-compliance of the requirements of the SRO. In response to the SCN, Mr. Shakeel Ahmed, CFO of the Company, vide letter dated September 12, 2025, *inter alia*, submitted that:

The purpose of imposing and applying IAS and IFRS on listed companies is to ensure, inter-alia, transparency, bringing about objectivity for the shareholders and potential investors, building in safeguard to avoid abuse and imposing overall ethical principles with the intent to ensure that there is no pilferage of the companies, monies and assets, and that the potential and existing investors are not defrauded;

No wrongdoing on account of defrauding the investors, pilferage, money laundering, etc., was found during the inspection of the Company conducted by the Commission and only an error crept into the books of the Company and it is assured that said error was due to an oversight and not a deliberate action to defraud investors and shareholders;

The management of the Company has taken robust corrective measures reducing group exposure from Rs. 150 million to Rs. 53 million, representing a 64% reduction in outstanding related party balances and is committed to further reduce the same in couple of months. Moreover, no new loans are being extended to related parties; and

Section 510 of the Act stipulates penalty of level 3 however following two (02) factors needs particular attention: (i) the violation should have been deliberate especially with an intent to defraud or damage shareholders, investors, markets; and (ii) especially efforts were made to undo the oversight and mitigating factors should be considered while imposing penalty. Accordingly, it is prayed that lenient view may be taken in the matter.

8. In order to provide an opportunity for personal representation and to meet the ends of justice, a hearing in the matter was fixed for September 29, 2025, which was attended by Mr. Zafar M. Sheikh – President/ CEO, Mr. Shakeel Ahmed – CFO, Mr. Tehseen UI Haq – Head of Operation and Mr. Buniad Haider – Regional Manager Islamabad, on behalf of the Noticees as their “**Authorized Representatives**”. However, Noticee No. (viii) neither appeared in person nor through any Representative. During the hearing, the Authorized Representatives admitted the violation, reiterated the aforesaid written response to the SCN, and assured that all the related party advances shall be recovered by December 2025. They further informed that related party transactions have been fully disclosed in the required manner in annual report for the year ended December 31, 2025 and half year report for the period ended on June 30, 2025. Moreover, the Authorized Representatives assured future compliance with the applicable requirements of law and requested for a lenient view in the matter.

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9. Subsequent to the hearing, the Mr. Shakeel Ahmed, CFO vide email dated October 01, 2025 submitted the details of related party balances and their disclosures made in the Accounts and vide letter dated October 13, 2025, *inter alia*, submitted the following undertaking:

"We undertake that "Related Party Disclosure" in accordance with the International Accounting Standard 24 have been disclosed in the audited financial statements for the year ended December 31, 2024 and Half Year reviewed accounts as on June 30, 2025. Which will strictly implement to ensure, transparency, safeguarding the interest of shareholders and potential investors in future."

10. Subsequently, in order to conclude the matter in an efficacious manner and in interest of justice, a final hearing was fixed for October 31, 2025 with a clear instruction that no further requests for adjournments would be entertained. It was also explicitly stated that non-appearance would result in an *ex-parte* order. Despite the same, Noticee No. (viii) once again did not prefer to join the proceedings. It is observed that despite provision of multiple hearing opportunities, Noticee No. (viii) failed to participate in the instant proceedings or providing any response regarding its alleged non-compliance; thereby reflecting his unwillingness to participate in the proceedings in the instant matter. I am, therefore, left with no other option except to proceed *ex-parte* against Noticee No. (viii) on the basis of record available with this office.

11. I have gone through the requirements of IAS 24, the SRO which obligates the Company to follow the provisions of IAS 24 for preparation of its financial statements, and the provisions of Clause VI(1)(v) of the Fourth Schedule of the Act, and considered the facts of the case along with the available record of the Company, as well as the written and verbal submissions of the Noticee(s) through their Authorized Representatives. I have also perused Section 510(2) of the Act which stipulates penal action for contravention of the afore-referred requirements. It is pertinent to observe that IAS 24 underpins transparency with regards to related party transactions so as to ensure that the investors, creditors, regulators, and other stakeholders can adequately evaluate the extent of influence exercised by related parties over the company's financial and operating decisions. Disclosure of the nature of the relationship, clearly identifying the names of related parties, and the amounts of transactions helps users identify possible conflicts of interest or any preferential dealings. Such comprehensive disclosures are vital to safeguard shareholders' interests and maintain confidence in the integrity of financial statements. Furthermore, Clause VI(1)(v) of the Fourth Schedule to the Act requires disclosure of names of related parties/associated companies/undertakings with whom the company has transacted along with the basis of relationship (e.g., common directorships or shareholding). This provision ensures that the stakeholders are aware of cross-company linkages and potential influence of directors or major shareholders across multiple entities. Such transparency protects investors from undisclosed related-party risks and enables regulators to monitor compliance with corporate governance standards.

12. The arguments of the Noticee(s) that the objective of enforcing IAS/ IFRS is to promote transparency, objectivity, and ethical governance in financial reporting is correct. However, it is important to observe that such objectives can only be achieved through compliance which is mandatory, especially where it relates to disclosures to the common shareholder. Moreover it is apt to observe that compliance with the requirements of IAS/ IFRS is not contingent upon the detection of *mens rea* but is mandatory for all listed companies under the applicable regulatory framework and non-compliance, even if unintentional, undermines the integrity and reliability of the financial statements and defeats their very purpose which is to ensure that financial statements are prepared, presented, and disclosed in a consistent, transparent, and accurate manner for the benefit of all the stakeholders. Furthermore, non-detection/ finding of any deceptive intent does not absolve the Noticee(s) from their statutory and regulatory responsibility to prepare its financial statements in accordance with the prescribed accounting framework. The lack of a mandatory disclosure, whether deliberate or due to oversight, signifies a lapse on part of the Noticee(s). Such lapses, even if not amounting to fraud, can result in *inadequate or misleading disclosures*, thereby depriving shareholders and potential investors of the true and fair view of the Company's financial position. The assurance that the non-disclosure of related parties transactions was inadvertent does not mitigate the violation itself as the law does not differentiate between deliberate non-compliance and negligent non-compliance. Every listed company and its management bear an ongoing duty to ensure that adequate systems and controls are in place to prevent such oversights.

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13. The Appellate Bench in 2016 CLD 2318, observed that "... We are of the view that the company being a public listed company has a responsibility to ensure full compliance of the provisions of the IFRS and provisions of the Ordinance, therefore, the violations cannot be excused and the penalty was rightly imposed on the Appellants. In view of the foregoing, we see no reason to interfere with the Impugned Order." Similarly in 2017 CLD 990 (Appeal No. 05 of 2014 decided on May 15, 2015), the violation revolving around non-compliance of accounting standards was discussed at length by stating that "... the Company has violated the express provisions of law, which cannot be tolerated to ensure justice and rule of law ...".

14. It is also observed that it is a settled law that where a thing is required to be done in a particular manner, it must be done in that manner or not at all. It is not up to State functionaries to choose which rule to follow and which to ignore. Such unstructured discretion would breed arbitrariness in decision making processes which is contrary to the principles of good governance. Reliance in this regard is placed on Tehsil Nazim TMA, Okara v. Abbas Ali and 2 others (2010 SCMR 1437) Raja Humayun Sarfraz Khan and others v. Noor Muhammad (2007 SCMR 307) Human Rights Cases Nos. 4668 of 2006, 1111 of 2007 and 15283-G of 2010 (PLD 2010 SC 759) and M. Yousuf Adil Saleem & Co. Chartered Accountants through Partner and 5 others v. Muhammad Saleem and another (2012 CLC 415)."

15. In light of the foregoing and the admissions made by the Noticee(s), I am of the considered view that the Noticee(s) have failed to comply, at the relevant time, with the requirements of IAS 24 as prescribed under the SRO. I have also considered that the Noticee(s) had confirmed their compliance, before issuance of SCN, with the requirements of IAS 24 in the Half Year reviewed accounts as on June 30, 2025, submitted an undertaking in this respect, and as a policy have considerably reduced the related party exposure. Due consideration has also been given to the fact that the Noticee(s) have shown a positive approach by assuring compliance of the applicable regulatory requirements in the future. I, therefore, in exercise of the powers conferred under Section 510(2) of the Act read with S.R.O. 1545(I)/2019 dated December 06, 2019, hereby conclude the instant proceedings with a stern **WARNING** to the Noticee(s) and advise them to ensure meticulous compliance with the requirements of the applicable legal and regulatory framework in letter and spirit in future. This Order is issued without prejudice to any other action that the Commission may initiate against the Noticee(s) in accordance with the law(s).

16. Without prejudice to the above, in case the Noticee(s) are aggrieved by this Order may, within thirty days of the Order, may prefer to file review application in terms of Section 32B of the SECP Act or may file an appeal to Appellate Bench of the Commission in terms of Section 33 of the SECP Act in accordance with the procedure for filing an appeal as laid down under the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.


07-11-2025

Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
Dated: November 07, 2025
Islamabad