



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

ORDER	
Name of Company:	M/s. First Capital Equities Limited
Show Cause Notice No. & Date:	SCN/LCD/Adj-I/16481-954 dated October 09, 2025
Noticee(s):	(i) Mian Ehsan Ul Haq, Chief Executive Officer /Director (ii) Malik Safeer Raza Awan, Chairman/Director (iii) Mr. Waseem Ul Hassan, Director (iv) Mr. Azhar Ahmed Batla, Director (v) Mr. Muhammad Ahmed Sorya, Director (vi) Ms. Shabana Atta, Director (vii) Mr. Asad Yar Khan, Director (viii) M/s. First Capital Equities Limited through Chief Executive Officer
Date(s) of Hearing(s):	(i) November 03, 2025; (ii) November 11, 2025; and (iii) November 18, 2025
Case represented by:	Syed Ali Rizvi, Advocate High Court (M/s. KHOSA & RIZVI Advocates & Legal Consultants) <i>As the Authorized Representative on behalf of all the Noticee(s)</i>
Provision of law involved:	Regulations 32(2), 33(2) and 37 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 read with Section 512(2) of the Companies Act, 2017.
Date of Order:	November 21, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through the Show Cause Notice No. SCN/LCD/Adj-I/164812-944 dated October 07, 2025 ("SCN") against M/s. First Capital Equities Limited (the "Company") and its Board of Directors ("BOD") including Chief Executive Officer (CEO), hereinafter collectively referred to as the "Noticee(s)", for contravention of the requirements of Regulations 32(2), 33(2) and 37 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "CCG 2019") read with Section 512(2) of the Companies Act, 2017 (the "Act").

2. The provisions of sub-regulation (2) of Regulation 32 of the CCG 2019 provide that it is **mandatory** that no company shall appoint as external auditors, a firm of auditors which or a partner of which is non-compliant with the IFAC Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

3. Section 540.5 of the ICAP Code of Ethics for Chartered Accountants, 2019 (the "COE 2019"), effective from July 01, 2020, provides that in respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination thereof, for a period of more than seven (07) cumulative years unless the law prescribes a shorter period: (a) the engagement partner; (b) the individual appointed as responsible for the engagement quality control review; or (c) any other key audit partner role. After such period, the individual shall serve a "cooling-off" period in accordance with the provisions in paragraphs R540.11 to R540.19. Furthermore, Section 540.11 of the COE 2019 explains the cooling-off period by stating that if the individual acted as the engagement partner for seven (07) cumulative years, the cooling-off period shall be five (05) consecutive years. Furthermore, Regulations 33(2) of the CCG 2019, prescribing such shorter period, provides that it is **mandatory** for all listed companies, other than those in the financial sector, to rotate the engagement partner after every five (05) years.

4. Review of the Annual Audited Financial Statements of the Company from the year ended June 30, 2017 to June 30, 2022 revealed that the Company appointed M/s. Nasir Javaid Maqsood Imran, Chartered Accountants, (the "Audit Firm"), who conducted the statutory audits of the Company for the periods mentioned in the table below, where Mr. Imran-ul-Haq served as the Engagement Partner in respect of the audit of the accounts of the Company for the years from June 30, 2017 to June 30, 2022 i.e., period of six (06) years commutatively; thereby, exceeding the allowable cumulative five (05) year limit as prescribed under Regulation 33(2) of the CCG

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Regulations read with Section 540.5 of the COE 2019. The details of appointments are tabulated below for ready reference:

Year ended	Auditor	Engagement Partner
June 30, 2017	Nasir Javaid Maqsood Imran, CAs	Mr. Imran-ul-Haq
June 30, 2018	Nasir Javaid Maqsood Imran, CAs	Mr. Imran-ul-Haq
June 30, 2019	Nasir Javaid Maqsood Imran, CAs	Mr. Imran-ul-Haq
June 30, 2020	Nasir Javaid Maqsood Imran, CAs	Mr. Imran-ul-Haq
June 30, 2021	Nasir Javaid Maqsood Imran, CAs	Mr. Imran-ul-Haq
June 30, 2022	Nasir Javaid Maqsood Imran, CAs	Mr. Imran-ul-Haq

5. In order to probe the matter, the Commission sought an explanation from the Company vide letter dated August 15, 2025. In response, the Company, vide letter dated August 21, 2025, *inter alia*, submitted that:  
*"The Engagement Partner on the Audit is normally rotated by the Audit Firm automatically upon expiry of the period, however, if a partner is continued by the Audit Firm, the Company could not notice this non-compliance. The non-compliance is not intentional on the part of the Company, so it is requested to condone the same, we shall be careful in future for strict compliance"*

6. In view of above, the Company and its BOD including the CEO, *prima facie*, contravened the requirements of Regulations 33(2) and 32(2) of the CCG 2019 read with Section 540.5 of the COE 2019, which attract penal provisions in terms of Regulation 37 of the CCG 2019 read with Section 512(2) of the Act. The relevant provisions of the Act are reproduced for ready reference as under:

**Regulation 37 of the CCG 2019:**

*"37. Penalty.- Whoever fails or refused to comply with, or contravenes regulation 3, 6, 7, 8, 27, 32, 33 and 36 of these Regulations, shall be punishable with penalty as provided under sub-section (2) of section 512 of the Act."*

**Section 512(2) of the Act:**

*"(2) Any regulation made under sub-section (1) may provide that a contravention thereof shall be punishable with a penalty which may extend to five million rupees and, where the contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues."*

7. Taking cognizance of the alleged violation, a SCN was issued to the Noticee(s) requiring them to show cause in writing as to why penal action may not be initiated for non-compliance with the aforesaid provisions of the Regulations and the Act. In response, Syed Ali Rizvi-Advocate High Court, M/s. KHOSA & RIZVI Advocates & Legal Consultants, as the **"Authorized Representative"** on behalf of all the Noticee(s), vide letter dated October 21, 2025 requested an extension of fourteen (14) days for submitting the response to the SCN.

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 November 03, 2025, which was adjourned at the request of the Company Secretary vide letter dated October 27, 2025. Subsequently, another hearing was fixed for November 11, 2025, which was again adjourned on the request of the Autopsied Representative vide letter dated November 8, 2025 received vide email dated November 10, 2025 from the Company Secretary, which was acceded to vide hearing notice dated November 10, 2025, granting time until November 14, 2025 for submission of the reply and rescheduling the hearing for November 18, 2025.

9. On the rescheduled date of hearing, the Authorized Representative appeared on behalf of the Noticee(s), admitted the default and assured future compliance, while requesting leniency in the instant matter. The Authorized Representative further submitted that the said non-compliance was not done deliberately; rather, it had been their understanding that it was the responsibility of the Audit Firm to comply with the requirements of COE 2019. Moreover, the Noticee(s) were under the assumption that upon the promulgation of the CCG 2019, the compliance period stood restated from that point onward and had a prospective effect. The Authorized Representative assured that due compliance with the provisions of the CCG 2019 and the Act will be ensured in the future and requested leniency in the instant matter. The Authorized Representative also submitted a written reply to the SCN vide letter dated [Nil], wherein it was, *inter alia*, submitted as follows:

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1. That it is most pertinent to mention here that Respondent No. 1 / Mian Ehsan Ul Hag had passed away and his death certificate has been provided to this Authority. It is therefore respectfully requested that the proceedings to the extent of Respondent No. 1 / Mian Ehsan Ul Haq may kindly be condoned / dropped.
2. That right at the outset of this reply, it is most pertinent to bring to the attention of this Authority that the Audit Firm referred to in the Notice under reply has already brought to the attention of this Authority the factual background in which the said Audit Firm was unable to ensure for compliance with the cooling off period requirement;
3. That it is worthy to mention that the reasons and response provided to this Authority by the said Audit Firm do not mention or state any role, connection or contribution on the part of the Company and that the noncompliance has been solely accepted and is attributable to the Audit Firm alone.
4. The Company remained under the impression and understanding that the Audit Firm (as has always been the past practice) would be ensuring that the cooling off period by way of 'change of partner' would be duly and diligently ensured by the Audit Firm at its end.
5. More so the Company itself was under the belief and assumption that since the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "2019 Regulations") became a law and came in to force by way of a notification dated 25.09.2019 issued by the SECP, that the 05 year requirement mentioned in Regulation 32(2) would hence operate from the date the 2019 Regulations were notified and had become the law.
6. It is also worthy to mention here that the ICAP Code of Ethics for Chartered Accountants, 2019 is primarily for Chartered Accountants and hence do not apply to the Company. The said Code does not apply to the client of a Chartered Accountant. The Code is explicitly designed to govern the behavior of the accounting profession itself. The client is the party to whom the Chartered Accountant owes professional duties, but the client is not bound by the Code's ethical requirements.
7. It is also vital to bring to the attention of this Authority that the Respondent company/ FCEL has already in 2019 surrendered its brokerage license and is presently in the process of transition of its business/ operations from that of a brokerage company to a real estate company. In this regard the Respondent company is currently under-staffed in this interim period and in pending its proposed transition. All relevant notices / intimations in such regards have been duly issued by the Company to the PSX.
8. In view of above said clarifications and the mitigating circumstances i.e. (i) a health issue cited by the Audit Firm for its inability to ensure for compliance with the cooling off period requirement, (ii) the fact that the non-compliance was only for about 1 year and (iii) the fact that the Respondent company / FCEL has surrendered its brokerage license and is presently in the process of transition of its business/ operations from that of a brokerage company to a real estate company, it is most humbly requested that the matter is condoned and no penalty may be imposed on the Company and its Concerned Directors as mentioned in the Notice under reply.

10. I have gone through the relevant provisions of Regulations 32(2) and 33(2) of the CCG 2019 read with Section 540.5 of the COE 2019 and considered the facts of the case, as well as the written and the verbal submissions made by the Noticee(s) through their Authorized Representative. I have also perused provisions of Regulation 37 of the CCG 2019 and Section 512(2) of the Act which stipulate penal action for contravention of the afore-referred requirements. It is pertinent to observe that Regulations 32(2) and 33(2) of the CCG 2019, stipulates the core principle that no company shall appoint an external auditor or engagement partner who is non-compliant with IFAC's ethical guidelines and rotate the engagement partner after every five (05) years. Furthermore, Section 540.5 of the COE 2019 introduced enhanced safeguards and clarified the concept of cumulative service periods, limiting the tenure of an engagement partner for a public interest entity to a maximum of five (05) cumulative years, followed by a mandatory five (05) consecutive years cooling-off period. The intent behind this more stringent limitation was to mitigate long association risks and ensure periodic refresh of independent audit judgment. Compliance with these rotation and cooling-off requirements is not merely procedural, rather it is a substantive measure to uphold audit independence and protect stakeholders' trust in the audit process.

11. The arguments put forth by the Authorized Representative that compliance with the IFAC Guidelines on the Code of Ethics primarily rests with the external auditors is misconceived. While auditors have a professional duty to comply with the COEs, the responsibility for ensuring that only compliant auditors are appointed squarely rests with the Company's BOD as required under Regulation 32(2) of the CCG 2019. In addition, Section 246(2) of the Act expressly provides that auditors shall be appointed in the annual general meeting on the recommendation of the BOD, after obtaining the auditors' consent, and that notice of such appointment shall be circulated to members accordingly. This statutory requirement imposes a clear duty on the BOD to undertake independent verification and due diligence prior to recommending an auditor for appointment. The BOD cannot absolve itself of this responsibility on the basis that the Audit Firm failed to ensure partner rotation. The BOD, being fully aware

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of its obligations under the CCG 2019, bears ultimate responsibility for ensuring compliance with the applicable corporate governance requirements.

12. The argument of the Authorized Representative that the Noticee(s) were under the assumption that the five (05)-year rotation requirement would be effective prospectively from the date of promulgation of the CCG 2019 is untenable. The regulatory framework places an explicit and continuous duty on listed companies to ensure compliance with the applicable provisions of the CCG 2019 read with the COE 2019, which mandate rotation after every five (05) years and on the basis of cumulative years of engagement. The law does not provide any transitional mechanism that would reset or restart the rotation period upon promulgation. It is a settled principle that where a law prescribes a defined period, past consecutive years must be counted unless expressly excluded by statute. Thus, the engagement partner's six (06)-year cumulative engagement with the Company contravened the requirement of Regulation 33(2) of the CCG 2019 read with Section 540.5 of the COE 2019. Moreover, it is observed that Noticee No. (i) i.e., Mian Ehsan Ul Haq, had passed away prior to the initiation of the adjudication proceedings and therefore, the instant proceedings are being dropped against him on compassionate grounds.

13. In light of the foregoing, I am of the considered view that the contravention of the requirements of Regulations 33(2) and 32(2) of the CCG 2019 read with Section 540.5 of the COE 2019 have been established beyond doubt. Nevertheless, taking into consideration that the Noticee(s), through their Authorized Representative have undertaken to ensure strict compliance with the applicable provisions of the law in future by exercising greater vigilance in adhering to legal and regulatory requirement, I, in exercise of the powers conferred upon me under Regulation 37 of the CCG 2019 read with Section 512(2) of the Act, S.R.O. 1545(I)/2019 dated December 06, 2019, hereby conclude the instant proceedings by imposing an aggregate penalty of **Rs. 30,000/- (Pak Rupees Thirty Thousand Only)** on Noticee(s) No. (i) to (vii) (except Noticee No. i) in the following manner and by **Warning** to the Noticee No. (viii) i.e., the Company:

S. No.	Name of Noticee(s)	Amount of Penalty (Rs.)
1	Malik Safeer Raza Awan, Chairman/Director	5,000/-
2	Mr. Waseem Ul Hassan, Director	5,000/-
3	Mr. Azhar Ahmed Batla, Director	5,000/-
4	Mr. Muhammad Ahmed Sorya, Director	5,000/-
5	Ms. Shabana Atta, Director	5,000/-
6	Mr. Asad Yar Khan, Director	5,000/-
Total		30,000/-

The Noticee(s) are further advised to ensure meticulous compliance with the applicable legal and regulatory framework in the future.

14. The Noticee(s) are, 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 485 of the Act will be initiated for recovery of the fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act").

15. Without prejudice to the above, in case the Noticee(s) are aggrieved by this Order may, within thirty (30) 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.

  
21-11-2025

Sohail Qadri  
Director/ HOD  
Adjudication Department-I

**Announced:**

Dated: November 21, 2025

Islamabad