PAKISTAN STOCK EXCHANGE LIMITED
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Ref. No. PSX/ RAD/O-3653

February 20, 2026

The Board of Directors
Ismail Iqbal Securities (Private) Limited
House No. C-94, (Main House),
KDA Scheme # 1, Karsaz Road,
Karachi.

SUBJECT: DECISION IN THE MATTER OF NON-COMPLIANCES HIGHLIGHTED IN THE JOINT INSPECTION REPORT OF ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED

Dear Members of the Board,

Please find enclosed herewith the Enforcement Order of Chief Regulatory Officer dated February 20, 2026 in the matter of non-compliance(s) highlighted during the joint inspection report of Ismail Iqbal Securities (Private) Limited.

The above is for your information and compliance thereof within stipulated time.

Yours truly,

ADEEL SHAMSHAD
AGM | Unit Head | Audit, Inspection, Default & Arbitration
Regulatory Affairs Division

Cc:

1. *The HOD/Director – SD, Licensed and Unlisted Companies Department, SECP*
2. *The Additional Director – SD, Licensed and Unlisted Companies Department, SECP*
3. *The Chief Regulatory Officer – PSX*
4. *The Chief Executive Officer – Ismail Iqbal Securities (Private) Limited*
5. *The Company Secretary – Ismail Iqbal Securities (Private) Limited (Ensure to circulate the enclosed Order to the Board of Directors)*

Encl: As Above

ORDER IN THE MATTER OF NON-COMPLIANCES HIGHLIGHTED DURING THE JOINT INSPECTION OF ISMAIL IQBAL SECURITIES (PRIVATE) LIMITED PURSUANT TO PSX REGULATIONS 20.4 AND 20.5

Hearing Officer:	Mr. Khalid Jehangir | Senior Manager – RAD (Authorized Representative of Chief Regulatory Officer, PSX)
Assisting Hearing Officer:	Ms. Beenish Mobin | Senior Manager – RAD
Representing Broker:	Mr. Ahfaz Mustafa | Chief Executive Officer Mr. Junaid Haroon | Compliance Officer Mr. Shehroz Ali | Manager- IT Mr. Muhammad Saad – Assistant Compliance Officer
Date of Hearing:	December 23, 2025

1. This Order shall dispose of the proceedings initiated against Ismail Iqbal Securities (Private) Limited (**Ismail Iqbal Securities**) through Hearing Notice No. PSX/RAD/O-3597 dated December 08, 2025 issued under Clause 20.4 of PSX Regulations (**Regulations**).

2. Brief facts of the case are as follows:

   (a) Ismail Iqbal Securities is a Trading Rights Entitlement (**TRE**) Certificate Holder of Pakistan Stock Exchange Limited (**PSX**) and licensed by the Securities and Exchange Commission of Pakistan as a Trading and Self-Clearing Broker (**TSC**).

   (b) Inspection of Ismail Iqbal Securities was initiated by Joint Inspection Team (**JIT**) under Clause 5(1) of the Joint Inspection Regulations, 2015 (**JI Regulations**) based on the scope mentioned in Appendix III of JI Regulations covering the period from November 01, 2023 to October 31, 2024 (**Review Period).**

   (c) In pursuance of sub-clause (v) of Clause 19 of JI Regulations, the Oversight Committee formed under the JI Regulations shared its Finding Report (**Report**) with all SRO's, including PSX, for taking necessary action under their respective regulatory frameworks.

3. JIT reported the following observed violations with the relevant regulatory framework:

   (a) Deficiencies noted in Customer Relationship Forms/ Account Opening Forms;
   (b) Non-provision of evidences in relation to Negotiated Deal Market (NDM) transactions;
   (c) Discrepancies noted in Clients' Assets Segregation; and
   (d) Deficiencies noted in the IT and IS requirements of securities brokers.

4. Taking cognizance of the above-mentioned observations highlighted in the Report, PSX vide letter dated April 30, 2025 sought written explanations from Ismail Iqbal Securities. The Ismail Iqbal Securities vide letter dated May 20, 2025 provided its responses along with the documentary evidences.

5. Upon review, it was noted that the responses of Ismail Iqbal Securities were not satisfactory on the highlighted observations. Therefore, PSX provided an opportunity of being heard to Ismail Iqbal Securities on December 23, 2025 to deliberate and seek explanations on the reported observations.

6. The hearing was attended by Mr. Ahfaz Mustafa (Chief Executive Officer), Mr. Junaid Haroon (Compliance Officer), Mr. Shehroz Ali (Manager- IT) and Mr. Muhammad Saad (Assistant Compliance Officer) (hereinafter referred to as **Representative or collectively as Representatives)**.

7. The reported observations were discussed at length during the hearing conducted by the PSX Official (**Hearing Officer**) authorized by the Chief Regulatory Officer, PSX in accordance with PSX Regulation 20.4. The observations along with responses of Ismail Iqbal Securities and the comments of PSX are provided hereunder:

   (a) **Deficiencies noted in Customer Relationship Forms (CRFs)/ Account Opening Forms (AOFs)**:

   The Hearing Officer informed the Representatives that during the inspection, the JIT selected a sample of 50 clients to verify that the CRFs/ AOFs were properly maintained and up to date. While reviewing the submitted information, the JIT noted the following:

   i. The signed tariff schedule was not attached with the **26** CRFs/ AOFs; and
   ii. The risk disclosure document was not attached with **22** CRFs/ AOFs.

   The Hearing Officer further apprised that in response to the written explanations sought by PSX, Ismail Iqbal Securities had submitted signed tariff schedules of 21 out of 26 clients and Risk Disclosure Document in case of 18 out of 22 clients.

   The Representative informed that at the time of on-boarding new clients, it is ensured that clients sign the tariff schedule and risk disclosure document with CRFs/AOFs. However, previously AOFs required around 25 signatures and there was a possibility that some clients might have inadvertently omitted one or more required signatures. With regard to remaining tariff schedules of 5 clients and risk disclosure document pertaining to 04 clients, the Representative informed that they have approached the concerned clients to obtain the requisite information which shall be submitted to the PSX subsequent to the hearing.

   The Hearing Officer advised the Representatives to provide evidence relating to the communication held between the concerned clients and Ismail Iqbal Securities and also submit the remaining documents of the clients to PSX.

   (b) **Non-provision of evidence in relation to Negotiated Deal Market (NDM) transactions;**

   The Hearing Officer informed the Representatives that JIT had selected a sample of 20 NDM transactions; however, authorization forms were not provided for 08 transactions.

   The Hearing Officer further apprised the Representatives that in response to the written explanations sought by PSX, Ismail Iqbal Securities had provided authorization forms for 12 out of the 20 transactions, which had already been provided to the JIT.

   Upon enquiry, the Representative informed that the reason for not sharing the requisite information was due to its internal system crash, as result of which some of the forms were not available. The Representative further stated that they are actively reaching out to the respective clients to obtain their consent and are also making efforts to recover the relevant data from its system.

(c) **Discrepancies noted in Clients' Assets Segregation:**

The Hearing Officer informed the Representatives that JIT had performed clients' asset segregation on six (6) dates and observed shortfall on two (02) dates. The Hearing Officer further informed that JIT highlighted in its Report that Ismail Iqbal Securities had daily transferred amount from various clients' accounts by JV entries in their back-office accounts, and the same amount was reversed on the next day. JIT observed that these margin accounts were treated as a liability, separate from the trade payables. To verify the segregation of clients' funds, the inspection team reversed the impact of JVs/adjustments on the selected dates and noted deficiencies in clients' funds to the tune of the amounts mentioned below:

i. PKR 9.2 Million as of April 18, 2024; and
ii. PKR 17.82 Million as of August 22, 2024.

The Representative stated that since the margins were required to be deposited with NCCPL, the requisite amounts were deducted from the respective clients' accounts. The Representative further asserted that if the margins were not added back in the clients' trade payables for the purpose of clients' funds segregation, no shortfall in clients' funds would occur. Further, the Representative also asserted that Ismail Iqbal Securities ensures the availability of sufficient funds against the clients' trade payables.

The Hearing Officer informed the Representatives that PSX reversed the impact of JVs relating to margin accounts in clients' trade payables, however, considered all cash margins deposited with NCCPL in clients' funds while performing verification of clients' funds segregation. Despite considering the adjustments of margins on both sides, shortfall in clients' funds was observed on two selected dates.

The Representative explained that proprietary account shares were used to meet client margin requirements. They further stated that if these shares had been pledged through conventional banking channels to generate funds, there would not have been any shortfall.

The Hearing Officer clarified that in line with PSX Regulations, securities brokers must maintain sufficient funds in client-titled bank accounts at all times. Besides, these funds must be adequate to cover the total trade payables of all clients so that clients' interests are protected and that their settlements can be met without relying on the broker's own funds. The use of proprietary account shares to fulfill client margin obligations is not a substitute for maintaining the necessary funds in the respective client accounts.

The Hearing Officer advised the Representatives to ensure that sufficient funds are maintained in client-titled bank account(s) at all times against clients' total trade payables.

(d) **Deficiencies noted in the IT and IS requirements of securities brokers:**

The Hearing Officer informed the Representatives that JIT had observed non-compliances in various areas of minimum information security standards prescribed by PSX.

The Hearing Officer further apprised the Representatives that in response to the written explanations sought by PSX, Ismail Iqbal Securities had resolved all the observations except for the Network Management Policy, SLA and implementation of weak controls on operating systems.

The Representative responded that the majority of the observations had already been rectified, and the requisite documentary evidences for the remaining observations will be submitted subsequent to the hearing.

8. Subsequent to the hearing, Ismail Iqbal Securities vide various e-mails submitted documentary evidences. The responses of Ismail Iqbal Securities and the assessment of PSX are provided hereunder:

(a) **<u>Deficiencies in tariff schedule and risk disclosure document of the clients</u>:**

i. **Non-provision of 05 signed tariff schedules:**

With respect to the remaining 05 signed tariff schedules, Ismail Iqbal Securities submitted signed tariff schedules of 04 clients and for 01 client, provided a copy of an email through which Ismail Iqbal Securities requested the client to sign the requisite document.

ii. **Non-provision of 04 risk disclosure document:**

With regard to the remaining 04 risk disclosure documents, Ismail Iqbal Securities provided risk disclosure documents pertaining to 03 clients and for 01 client, provided a copy of an email through which Ismail Iqbal Securities requested the client to sign the requisite document.

(b) **<u>Non-provision of evidences in relation to Negotiated Deal Market (NDM) transactions;</u>**

With respect to the remaining 08 NDM authorization forms, Ismail Iqbal Securities provided NDM authorization forms only against 01 transaction, clients' consent letters against 03 transactions, and evidence of transmission of post-trade confirmation against 07 transactions.

(c) **<u>Discrepancies noted in clients' funds segregation:</u>**

Ismail Iqbal Securities provided the general ledger statements, client ledger statements, trial balances, and NCCPL exposure reports.

PSX performed the working of clients' assets segregation on an additional date subsequent to the Review Period, i.e., on December 23, 2025. Based on the provided information, PSX did not observe a shortfall in clients' funds.

(d) **<u>Deficiencies noted in the IT and IS requirements of securities brokers</u>:**

Ismail Iqbal Securities provided evidences against the remaining observations, which are found satisfactory.

9. Having considered the relevant facts and aspects in light of the above proceedings, the following non-compliances with the PSX Regulations were established on the part of Ismail Iqbal Securities:

(a) Failure to maintain clients' signatures on tariff schedules as required under Clause 4.24.2 of PSX Regulations and risk disclosure documents as required under point no. 13 of Terms and Conditions for Trading Account of CRFs/ AOFs of PSX;
(b) Failure to maintain authorization forms of clients for the execution of NDM transactions as required under PSX Notice dated July 01, 2015;
(c) Failure to maintain client assets segregation as per clause 4.17 of PSX Regulations; and
(d) Failure to preserve key records relating to clients for the minimum stipulated time as required under section 74(j) of Securities Act, 2015.

10. In light of the foregoing, it is established that Ismail Iqbal Securities was deficient in meeting certain regulatory requirements. Therefore, in exercise of powers conferred under PSX Regulations 20.5.2 and taking into consideration the relevant facts and circumstances, and also the factors as stipulated under Clause 20.5.3 of PSX Regulations, Ismail Iqbal Securities is hereby directed to comply with the following:

(a) Pay an aggregate fine of **PKR 755,284/-**, which includes imposition of fine under clause 20.8.2 of PSX Regulations.

(b) Ensure to share signed tariff schedule and risk disclosure documents along with CRF, with the customers at the time of opening of accounts.

(c) Ensure to obtain and maintain authorization forms of clients relating to NDM transactions. Ismail Iqbal Securities is advised to submit authorization of the remaining clients on account of which NDM authorization forms were not provided to PSX, within 10 days from the date of this Order.

(d) Ensure to maintain sufficient funds in client-titled bank account(s) in fulfillment of its fiduciary obligation to maintain proper segregation of clients' assets.

(e) Ensure to maintain records related to clients for a minimum stipulated time as required under section 74(j) of Securities Act, 2015.

(f) Remain vigilant in the future and ensure meticulous compliance with all applicable regulations at all times in letter and spirit.

The imposition of the fine does not absolve Ismail Iqbal Securities from the responsibility to resolve any genuine trade-related complaint of any client that may arise against it.

The fine should be paid by cheque/ pay order in favor of "Pakistan Stock Exchange Limited" within 30 days from the date of this Order.

This Order shall dispose of the matters relating to PSX Regulations highlighted during the inspection and is issued without prejudice to the right of PSX to further initiate any enquiry, special audit with expanded, restricted, or different scope or to take any punitive action against Ismail Iqbal Securities in accordance with the relevant regulations on matters subsequently investigated or otherwise brought to the knowledge of PSX.

It must be noted that JIT may verify/re-assess the status of compliance with the regulatory requirements including but not limited to the observations highlighted in this Order. In case of any non-compliance found again during the follow-up inspection of Ismail Iqbal Securities by JIT, the same shall be dealt with stricter action including imposition of higher fines or restrictions in accordance with the relevant penal provisions of PSX Regulations.

AJEET KUMAR
Chief Regulatory Officer

<u>Announced</u>:
February 20, 2026
Karachi.