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The Role of SECP in Ensuring Corporate Accountability in Pakistan

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Abstract

Corporate responsibility is the key to a stable, transparent and investment friendly economic environment. In Pakistan, the Securities and Exchange Commission of Pakistan (SECP) is key in implementing and coming up with policies that govern the corporate world in the country. The current paper critically evaluates the legal mandate, the operational capacity of the SECP, and its initiatives as an institution in enhancing corporate accountability. It investigates how major pieces of legislations like SECP Act 1997 and Companies Act 2017 have influenced it as well as evaluating the enforcement mechanisms that the Commission follows. The reforms, and in particular the one on digitalization, transparency and corporate governance are examined to understand the efficiency of these recent reforms. The paper also identifies salient issues that SECP has been encountering such as overlapping regulation, political issues and corporate objections and provides a comparative analysis between India and UK. It ends with practical suggestions which are meant to make SECP policy more effective and they are meant to influence corporate responsibility in the long term within the context of the emerging economy in Pakistan.

Introduction

Corporate accountability means the legal and non-legal role of corporate organizations in transparent, just, and lawful and the nation interest. Because economic reforms and regulation development is still relevant in a context of Pakistan to the financial development, the issue of regulatory bodies like Securities and Exchange Commission of Pakistan (SECP) has become a matter of high concern. Formed in 1997 in accordance with SECP Act, this Commission is an independent body charged with the responsibility of regulating the corporate sector, capital markets, non-banking financial companies and the insurance companies of Pakistan.¹

¹ "The Securities and Exchange Commission of Pakistan Act, 1997, with up-to-Date Amendments – SECP," accessed July 4, 2025, <https://www.secp.gov.pk/document/secp-amendment-act-1997-for-your-information-and-record/>.

Integrity and performance of corporations influences the economy performance stability of the economy, foreign investment and the government trust directly. Thus, the issue of corporate accountability cannot be only seen as a governance problem but as the development precondition and the source of legitimization of the institution. Overtime, the SECP has turned towards embracing a series of legal and administrative changes to enhance corporate disclosure, accountability and protection of investors.² The introduction of the Companies Act 2017 dramatically extended the work of the SECP in its regulatory functions specifically in the fields of monitoring of compliance, reporting requirements, and enforcement activities.³

Nonetheless, the Pakistani corporate regulation regime still encounters intricate issues of fragmentation in regulation, laxity in implementation and political influence.⁴ Nevertheless, the SECP has been demanding in terms of computerization operations, whistleblower protection programs, and socio ow and governance (ESG) topics.⁵ Still, the effectiveness, independence, and the overall projection of these initiatives are worth questioning.

This research paper aims to critically evaluate the role of SECP in ensuring corporate accountability in Pakistan. It explores the relevant legal framework, institutional tools, and enforcement mechanisms used by the Commission. It also investigates the recent reforms undertaken between 2020 and 2025 and presents real-life corporate case studies to assess SECP's institutional response. A comparative section briefly examines how Pakistan's regulatory approach stands against India and the UK. Finally, the paper offers recommendations for strengthening SECP's capacity to fulfill its accountability mandate in an increasingly complex corporate environment.

Legal Framework Governing SECP's Role

The regulatory foundation of the Securities and Exchange Commission of Pakistan (SECP) is rooted in a combination of primary and secondary legislation that collectively empowers the Commission to oversee and enforce corporate accountability in Pakistan. Among these, the SECP Act of 1997 and the Companies Act of 2017 are the two principal statutes delineating the scope of authority, institutional structure, and enforcement mechanisms available to the Commission. These legal instruments have evolved in response to both domestic economic challenges and international standards on corporate regulation.

The SECP Act, 1997

The SECP was formally established through the **Securities and Exchange Commission of Pakistan Act, 1997**, which transitioned corporate regulatory authority from the Corporate Law Authority (CLA) under the Ministry of Finance to an autonomous regulatory body.⁶ The Act grants SECP wide-ranging powers, including policy formulation, licensing, supervision, and enforcement of laws governing the corporate sector and capital markets.⁷

² "Corporate Governance in Pakistan: Practices and Challenges | Competitive Research Journal Archive," accessed July 4, 2025, <https://thecrja.com/index.php/Journal/article/view/113>.

³ "Companies Act 2017 – SECP," accessed July 4, 2025, <https://www.secp.gov.pk/companies-act-2017/>.

⁴ "Corporate Governance in Pakistan: Practices and Challenges | Competitive Research Journal Archive."

⁵ "Annual Reports – SECP," accessed July 4, 2025, <https://www.secp.gov.pk/media-center/annual-reports/>.

⁶ "The Securities and Exchange Commission of Pakistan Act, 1997, with up-to-Date Amendments – SECP," accessed July 4, 2025, <https://www.secp.gov.pk/document/secp-amendment-act-1997-for-your-information-and-record/>.

⁷ "The Securities and Exchange Commission of Pakistan Act, 1997, with up-to-Date Amendments – SECP."

Section 5 of the Act explicitly enumerates SECP's functions, which include regulating entities incorporated under the Companies Act, overseeing stock exchanges and central depositories, and conducting inquiries, audits, and inspections.⁸ The Act also empowers the Commission to frame subordinate legislation such as rules, regulations, codes, and directives. In 2021, amendments to the SECP Act further enhanced its authority to initiate criminal proceedings and impose monetary penalties for non-compliance.⁹ These reforms were considered critical to reducing regulatory inertia and improving investor confidence.

The Companies Act, 2017

A landmark reform in Pakistan's corporate legal regime was the enactment of the **Companies Act, 2017**, which replaced the Companies Ordinance, 1984. This Act introduced modern corporate governance standards, enhanced shareholder rights, mandated financial transparency, and reinforced the SECP's role as a corporate watchdog.¹⁰ The Act requires public companies to appoint independent directors and mandates disclosures of beneficial ownership and related party transactions.¹¹

Chapter XIV of the Companies Act, 2017 empowers the SECP to investigate the affairs of companies, initiate legal actions against fraud and misrepresentation, and suspend or dissolve non-compliant entities.¹² The law also requires companies to submit periodic returns, financial statements, and auditors' reports in specified formats.¹³ Importantly, the SECP can use these tools not only to monitor compliance but also to proactively detect and deter corporate misconduct.

Supporting Legislation and Codes

The SECP's authority is further reinforced by a range of subsidiary legal instruments. These include the **Listed Companies (Code of Corporate Governance) Regulations, 2019**, which provide detailed obligations for board composition, audit committees, risk management, and internal controls.¹⁴ The **Anti-Money Laundering Act, 2010**, although administered primarily by the Financial Monitoring Unit (FMU), requires companies registered with the SECP to implement internal controls for identifying and reporting suspicious transactions.¹⁵ Moreover, sector-specific rules, such as the **Non-Banking Finance Companies (NBFC) Regulations, 2008** and **Insurance Rules, 2017**, provide the SECP with the legal tools to monitor non-corporate entities operating in regulated financial markets.¹⁶

⁸ "The Securities and Exchange Commission of Pakistan Act, 1997, with up-to-Date Amendments – SECP."

⁹ "Corporate Restructuring Companies (Amendment) Act 2021 – SECP," accessed July 4, 2025, <https://www.secp.gov.pk/document/corporate-restructuring-companies-amendment-act-2021/>.

¹⁰ "Companies Act 2017 – SECP," accessed July 4, 2025, <https://www.secp.gov.pk/companies-act-2017/>.

¹¹ "Companies Act 2017 – SECP."

¹² "Companies Act 2017 – SECP."

¹³ "Companies Act 2017 – SECP."

¹⁴ "Listed Companies (Code of Corporate Governance) Regulations, 2019 – Amended up to July 7, 2023 – SECP," accessed July 4, 2025, <https://www.secp.gov.pk/document/listed-companies-code-of-corporate-governance-regulations-2019/>.

¹⁵ "The Anti-Money Laundering Act, 2010 (Act No. VII of 2010)," accessed July 4, 2025, <https://nasirlawsite.com/laws/amla.htm>.

¹⁶ "Non-Banking Finance Companies and Notified Entities Regulations, 2008 (Updated till May 17, 2023) – SECP," accessed July 4, 2025, <https://www.secp.gov.pk/document/non-banking-finance-companies-and-notified-entities-regulations-2008-updated-till-may-17-2023/>.

Collectively, these statutes and regulations form a robust legal ecosystem that positions the SECP as the cornerstone of corporate accountability in Pakistan. Nonetheless, the implementation of these laws remains a subject of scholarly and policy concern, particularly with regard to enforcement consistency, institutional capacity, and inter-agency coordination.

Tools and Mechanisms of Enforcement

To fulfill its mandate of ensuring corporate accountability, the Securities and Exchange Commission of Pakistan (SECP) employs a diverse range of regulatory tools and enforcement mechanisms. These include company registration, compliance monitoring, investigative powers, administrative sanctions, and digital regulatory platforms. Together, these instruments constitute the operational core of SECP's oversight responsibilities.

Company Registration and Licensing

One of the foundational enforcement tools at SECP's disposal is the regulation of corporate entry through registration and licensing. Under the Companies Act, 2017, no company may lawfully operate without registration with the SECP.¹⁷ The Commission's scrutiny begins at the incorporation stage, where company promoters are required to submit verified documents detailing shareholding, beneficial ownership, and business objectives. The introduction of online platforms like the e-Services portal has streamlined these processes, reduced registration time and increasing regulatory transparency.¹⁸

Monitoring and Compliance Mechanisms

Following incorporation, the SECP requires companies to meet periodic compliance obligations, including submission of financial statements, audit reports, and statutory returns.¹⁹ Public companies are further required to ensure adherence to international financial reporting standards (IFRS) and corporate governance codes. The SECP's supervision divisions actively review such filings and are empowered to issue show-cause notices, levy administrative fines, or suspend licenses in cases of non-compliance.²⁰ These regulatory mechanisms help establish a culture of accountability and prevent financial opacity.

Investigations and Sanctions

The SECP also holds investigative authority to detect corporate misconduct. Upon reasonable suspicion or complaint, the Commission may initiate formal inquiries, call for records, and compel company officers to cooperate.²¹ Where irregularities are confirmed, the SECP may impose civil penalties or, in cases of serious fraud or public harm, refer matters to criminal enforcement bodies. However, scholars have noted that enforcement outcomes often vary in consistency due to capacity constraints and legal delays.²²

¹⁷ "Companies Act 2017 – SECP."

¹⁸ "Zubair and Zeeshan Final Accepted JAEE.PDF," n.d.

¹⁹ "Companies Act 2017 – SECP."

²⁰ "Companies Act 2017 – SECP."

²¹ "Companies Act 2017 – SECP."

²² "Corporate Governance Failures and the Role of Institutional Investors in Pakistan: Lessons to Be Learnt from UK | Request PDF," accessed July 4, 2025, https://www.researchgate.net/publication/323431906_Corporate_governance_failures_and_the_role_of_institutional_investors_in_Pakistan_Lessons_to_be_learnt_from_UK.

Whistleblower and Risk-Based Supervision

In a move to increase regulatory responsiveness, SECP introduced a whistleblower framework aimed at facilitating the reporting of corporate malfeasance by insiders. While the framework ensures anonymity and procedural safeguards, its voluntary nature and limited statutory backing restrict its effectiveness.²³ Additionally, the Commission has moved towards risk-based supervision, prioritizing regulatory attention to sectors and firms with higher systemic risk profiles. This strategic targeting improves the efficiency of oversight but requires robust data systems and coordination across financial regulators.

Digital Enforcement Tools

The digitalization of SECP's operations represents a major reform in regulatory enforcement. The e-Services portal, complaint management system, and licensing automation tools have transformed traditional bureaucratic procedures into real-time monitoring mechanisms.²⁴ These platforms not only improve service delivery but also expand the SECP's surveillance capacity over corporate actors. Nonetheless, digital governance brings challenges of cybersecurity, data reliability, and digital exclusion for smaller firms with limited technical capacity.

In essence, the SECP's enforcement architecture combines legal authority with technological tools to ensure regulatory compliance. While promising in design, the effectiveness of these mechanisms continues to depend on institutional independence, resource allocation, and consistent judicial cooperation.

Recent SECP Initiatives and Reforms (2020–2025)

In recent years, the Securities and Exchange Commission of Pakistan (SECP) has undertaken a series of legal and administrative reforms to strengthen corporate accountability and align domestic corporate governance with global standards. These reforms reflect a strategic effort to address systemic weaknesses in transparency, compliance, and investor protection while improving Pakistan's standing in international financial markets.

ESG Disclosure and Sustainability Guidelines

The introduction of Environmental, Social, and Governance (ESG) Guidelines in 2021 was a significant milestone in SECP's regulatory trajectory. These guidelines, although non-binding, urged listed companies to voluntarily disclose their environmental risks, social impacts, and governance practices.²⁵ This move was intended to align corporate reporting in Pakistan with emerging global standards, such as those set by the Global Reporting Initiative (GRI). Despite their progressive framing, research shows that compliance remains inconsistent, with many companies lacking the internal capacity or incentive to implement such reporting frameworks.

Digitalization of Regulatory Processes

SECP's commitment to digital transformation has been evident in its shift to online platforms for company registration, licensing, and filings. The development of the e-Services portal, integrated complaint systems, and digital audit mechanisms have reduced processing times and improved

²³ "Corporate Governance Failures and the Role of Institutional Investors in Pakistan: Lessons to Be Learnt from UK | Request PDF."

²⁴ "Impact of Cyber Security Measures in the Digital Banking Sector of Pakistan | Journal of Computing & Biomedical Informatics," accessed July 4, 2025, <https://jcbi.org/index.php/Main/article/view/438>.

²⁵ Theo Nyreöd, "Corporate Wrongdoing and Whistleblower Regimes: Evaluation and Suggestions for Reform" (Thesis, 2025), <http://bura.brunel.ac.uk/handle/2438/31499>.

regulatory access.²⁶ These digital reforms have been particularly impactful in enabling regulatory continuity during the COVID-19 pandemic, allowing remote supervision and electronic compliance monitoring. Nevertheless, cybersecurity risks and limitations in digital literacy among stakeholders present ongoing challenges.²⁷

Whistleblower Protection and Governance Oversight

To promote internal accountability, SECP introduced a whistleblower protection mechanism in 2021, providing anonymity and procedural safeguards to informants reporting corporate fraud. However, its non-statutory nature has limited its widespread adoption, and empirical studies show that only a minority of listed companies have integrated whistleblower policies into their internal governance systems.²⁸ Parallel governance reforms, including requirements for independent directors and mandatory disclosure of related-party transactions, were also reinforced under amendments to the Corporate Governance Code, yet enforcement remains uneven across sectors.

Beneficial Ownership Transparency

In response to international anti-money laundering obligations, the SECP made significant strides in enhancing transparency through beneficial ownership disclosures. Amendments to the Companies Act required firms to report their ultimate beneficial owners, a key demand under Pakistan's Financial Action Task Force (FATF) commitments.²⁹ While this reform was applauded for its potential to reduce the misuse of corporate structures, challenges related to inter-agency coordination and outdated data systems have affected full implementation.

Taken together, these initiatives reflect SECP's increasing sophistication in regulatory design. Yet, without statutory backing for key reforms and greater institutional capacity, the transformative potential of these efforts remains constrained.

Case Studies of Corporate Failures and SECP's Response

The credibility of a regulatory body like the Securities and Exchange Commission of Pakistan (SECP) is not only determined by its legal authority but also by its responsiveness to actual corporate failures. Over the last decade, several high-profile corporate governance breakdowns have tested the efficacy of SECP's enforcement apparatus. This section highlights select case studies to evaluate how the SECP exercised its oversight powers in moments of institutional crisis.

Hascol Petroleum: Governance Failure and Financial Misreporting

One of the most striking corporate scandals in recent memory was the financial collapse of **Hascol Petroleum Limited**, a major oil marketing company listed on the Pakistan Stock Exchange. The company was found to have engaged in aggressive revenue recognition practices, delayed

²⁶ "Case Studies on the Regulatory Challenges Raised by Innovation and the ... - OECD, Korea Development Institute - Google Books," accessed July 4, 2025, <https://books.google.com.pk/books?hl=en&lr=&id=XpJUEAAQBAJ&oi=fnd&pg=PA3&dq=Digital+Governance+and+the+SECP:+A+Case+Study+of+Regulatory+Innovation,&ots=IBWMLolQV1&sig=rrbtq0Aes4EjNag2nzbKzND5zXE#v=onepage&q&f=false>.

²⁷ "Cybersecurity in Pakistan: Regulations, Gaps and Way Forward," accessed July 4, 2025, <https://mro.massey.ac.nz/handle/10179/16061>.

²⁸ "Whistleblowing in the Compliance Era," n.d.

²⁹ "An Analytical Study of Compliance of Banking Institutions of Pakistan with Anti-Money Laundering Regulations: Legal Challenges and a Way Forward | Islamabad Law Review," accessed July 4, 2025, <http://irigs.iiu.edu.pk:64447/ojs/index.php/ilr/article/view/5662>.

loss disclosures, and inflated receivables, leading to a massive write-down of over Rs. 20 billion.³⁰ The SECP responded by initiating forensic audits, suspending key board members, and coordinating with the Federal Investigation Agency (FIA) for deeper probes. However, scholars have argued that the delayed response and lack of early warning systems revealed critical gaps in SECP's supervisory strategy.

K-Electric and Related Party Transaction Oversight

K-Electric, Pakistan's largest private power utility, has faced persistent criticism over its financial transparency and related party transactions, particularly during acquisition negotiations with foreign investors. Although the SECP required the company to submit disclosures under corporate governance rules, enforcement was reportedly weakened by procedural delays and conflicting regulatory jurisdictions.³¹ This case reflects the broader challenge of overlapping mandates between the SECP, National Electric Power Regulatory Authority (NEPRA), and Competition Commission of Pakistan (CCP), which often dilute regulatory clarity and reduce effectiveness.

Shell Pakistan and Environmental Risk Disclosure

In 2022, Shell Pakistan came under scrutiny for insufficient disclosure of its environmental liabilities following an oil spill incident. While SECP guidelines encouraged ESG reporting, the company's annual financial reports lacked adequate information on remediation costs and social impact. The Commission's limited capacity to enforce environmental reporting, due to the voluntary nature of ESG guidelines, highlights the gap between soft law and effective accountability.³² Legal commentators suggest that such omissions demonstrate the need for binding disclosure standards, particularly in sectors with high environmental risk exposure.

These cases reveal a pattern: SECP's effectiveness often hinges on the statutory robustness of the regulatory tool being applied and the timeliness of its enforcement. While the Commission has shown intent in pursuing corporate misconduct, structural and procedural limitations, such as lack of real-time data, regulatory overlap, and limited legal teeth in non-mandatory guidelines, continue to hinder swift accountability. The need for a proactive, risk-based supervisory approach is increasingly recognized in academic literature and policy discussions alike.³³

Challenges in SECP's Oversight Role

Although the Securities and Exchange Commission of Pakistan (SECP) has made considerable progress in regulatory oversight and institutional reform, it continues to face significant challenges that undermine its ability to enforce corporate accountability effectively. These

³⁰ "HASCOL Scandal - Ethics Project | PDF | Banks | Business," accessed July 4, 2025,

<https://www.scribd.com/document/620911766/HASCOL-Scandal-Ethics-Project-1>.

³¹ "Power Sector: A Case Study of K-Electric | SpringerLink," accessed July 4, 2025,

https://link.springer.com/chapter/10.1007/978-981-97-8385-4_6.

³² "Environmental, Social, and Governance (ESG) Factors and Their Impact on Investment Decisions in the Pakistan Stock Market," accessed July 4, 2025,

https://www.researchgate.net/publication/392319908_Environmental_Social_and_Governance_ESG_Factors_and_Their_Impact_on_Investment_Decisions_in_the_Pakistan_Stock_Market.

³³ "Corporate Governance Failures and the Role of Institutional Investors in Pakistan: Lessons to Be Learnt from UK | Request PDF," accessed July 4, 2025,

https://www.researchgate.net/publication/323431906_Corporate_governance_failures_and_the_role_of_institutional_investors_in_Pakistan_Lessons_to_be_learnt_from_UK.

challenges are both structural and operational, limiting the Commission's impact in key areas of governance, compliance, and transparency.

Political Influence and Regulatory Independence

Despite being established as an autonomous body under the SECP Act, the Commission's functional independence has frequently been compromised by political interference. Appointments of key officials, shifting enforcement priorities, and the selective pursuit of violations suggest a regulatory environment vulnerable to external pressure.³⁴ Such political entanglements can delay enforcement actions and weaken investor confidence in the neutrality of the oversight process.

Human and Technical Resource Limitations

The SECP oversees thousands of companies, yet its technical and human resources have not expanded proportionately. Limited staffing, outdated infrastructure, and insufficient training in financial forensics hinder the Commission's ability to conduct thorough investigations or respond swiftly to violations.³⁵ These constraints often result in superficial inspections and weak follow-up on regulatory breaches.

Regulatory Overlaps and Coordination Gaps

A major structural problem in Pakistan's regulatory framework is the overlap of responsibilities among multiple institutions, including the Federal Board of Revenue (FBR), State Bank of Pakistan (SBP), and National Accountability Bureau (NAB). Such fragmentation causes duplication of efforts, delays in enforcement, and confusion for regulated entities.³⁶ The lack of formal coordination mechanisms further complicates SECP's efforts to pursue complex corporate cases involving multiple jurisdictions.

Delays in Judicial Enforcement

Even when the SECP initiates enforcement proceedings, the effectiveness of its actions is frequently blunted by delays in the judicial process. Court backlogs and procedural inefficiencies prevent timely adjudication of corporate misconduct. Furthermore, the absence of a specialized corporate bench limits the judiciary's capacity to engage with complex regulatory issues in a consistent manner.

Weak Compliance Culture

Perhaps most fundamentally, the SECP operates in an environment where the corporate culture remains largely compliance-averse. Many companies treat regulatory filings as procedural formalities rather than instruments of accountability. While the SECP has promoted awareness and education initiatives, changing corporate attitudes remains a long-term challenge that cannot be resolved through legal reform alone.³⁷

In sum, although the SECP has evolved significantly in terms of legal authority and institutional structure, its capacity to enforce corporate accountability is constrained by political, institutional,

³⁴ Mazhar Hussain, Dr Rehman Akhtar, and Dr Shehzada Aamir Mushtaq, "A Comparative Study Of The Implementation Of Corporate Governance Legal Frameworks In The Banking Sector Of Pakistan: Insights From Emerging Economies," *The Journal of Research Review* 2, no. 02 (April 14, 2025): 08–46.

³⁵ Hussain, Akhtar, and Mushtaq.

³⁶ Hussain, Akhtar, and Mushtaq.

³⁷ "Corporate Governance Challenges in Pakistan," accessed July 4, 2025, <https://www.degruyterbrill.com/document/doi/10.1515/9783110772999/html?lang=en&srsId=AfmBOoomQ98goGb0oHnYytgnTX9JJWG9uDMwApYrWBKturz1DSpBvfSW>.

and cultural limitations. Addressing these challenges requires systemic reform that goes beyond regulatory design.

Comparative Insight – SECP vs. India and the UK

A comparative analysis of corporate regulatory bodies can provide valuable insights into how Pakistan's Securities and Exchange Commission (SECP) can enhance its effectiveness. Examining institutions such as the Securities and Exchange Board of India (SEBI) and the UK's Financial Conduct Authority (FCA) reveals differences in institutional design, enforcement authority, and public accountability, which inform potential reform pathways for SECP.

Legal and Institutional Mandate

All three regulators i.e SECP, SEBI and FCA derive authority from enabling legislation. However, SEBI and FCA operate under more robust statutory frameworks with clearer mandates and broader enforcement discretion. For instance, SEBI has been vested with quasi-judicial powers that allow it to impose penalties, order disgorgement, and ban individuals from securities markets without lengthy court processes.³⁸ In contrast, SECP relies heavily on external judicial forums, which often delay resolution and weaken deterrence.

The UK's FCA similarly enjoys a consolidated enforcement architecture that combines prudential regulation, conduct oversight, and consumer protection within a single institutional umbrella.³⁹ This allows it to act swiftly in financial misconduct cases, while the SECP remains fragmented across different regulatory divisions with overlapping mandates and limited coordination.

Enforcement Tools and Responsiveness

Both SEBI and FCA have developed sophisticated risk-based supervision systems. These tools allow regulators to allocate resources strategically, focusing on firms and sectors with the highest potential for harm. SEBI's surveillance systems detect irregular market behavior in real-time, while FCA uses data analytics and behavioral assessments to anticipate corporate governance failures.⁴⁰ SECP's enforcement mechanisms, while evolving, remain largely reactive and dependent on complaint-based interventions.

Transparency and Stakeholder Engagement

In terms of public accountability, the FCA publishes detailed enforcement reports, policy consultations, and impact assessments. Similarly, SEBI maintains a public enforcement tracker and regularly updates its guidelines through stakeholder engagement processes. These practices strengthen trust and regulatory legitimacy. The SECP, by comparison, publishes fewer transparency instruments, and its stakeholder engagement is often ad hoc.⁴¹ Legal scholars note that without structured feedback mechanisms, regulatory legitimacy may be weakened in emerging economies.⁴²

³⁸ Riya Aakesh Chhajed, "The Role of SEBI in Regulating the Securities Market in India," *Legal Lock Journal* 4 (2024): 142.

³⁹ "Financial Conduct Authority | FCA," accessed July 4, 2025, <https://www.fca.org.uk/>.

⁴⁰ "Financial Conduct Authority | FCA."

⁴¹ "Corporate Governance Challenges in Pakistan," accessed July 4, 2025, https://www.degruyterbrill.com/document/doi/10.1515/9783110772999/html?lang=en&srsId=AfmBOoqh-Hdcz6gl7vyUqdlh50AMainTcQFF_8qzPdUtGDeMYlbycWkP.

⁴² "Corporate Governance Failures and the Role of Institutional Investors in Pakistan: Lessons to Be Learnt from UK | Request PDF," accessed July 4, 2025, https://www.researchgate.net/publication/323431906_Corporate_governance_failures_and_the_role_of_institutional_investors_in_Pakistan_Lessons_to_be_learnt_from_UK.

Lessons for SECP

The comparison suggests that Pakistan's SECP could benefit from:

- **Quasi-judicial powers** for quicker sanctioning of non-compliance;
- **Risk-based supervision models** for proactive oversight;
- **Stronger coordination** with overlapping regulatory bodies;
- **Institutionalized transparency mechanisms** for public trust.

While full convergence with more developed jurisdictions may not be feasible in the short term, selective adoption of best practices tailored to Pakistan's institutional realities could greatly enhance the SECP's regulatory performance.

Policy Recommendations

Grant Quasi-Judicial Powers

Amend the SECP Act to authorize the Commission to impose administrative penalties and sanctions without excessive reliance on external courts, thereby reducing delays in enforcement.⁴³

Institutionalize Risk-Based Supervision

Develop and expand data-driven supervision models that allow SECP to prioritize sectors and companies based on risk exposure, market impact, and history of compliance.

Enhance Inter-Agency Coordination

Establish formal agreements with FBR, SBP, NAB, and provincial regulators to share information, avoid jurisdictional overlaps, and conduct joint investigations where necessary.⁴⁴

Increase Operational Autonomy and Reduce Political Interference

Introduce transparent procedures for the appointment and removal of SECP commissioners, and provide budgetary independence to insulate it from executive pressures.⁴⁵

Improve Technical Capacity and Human Resources

Invest in continuous training for SECP staff, particularly in forensic auditing, digital finance, and corporate investigation, while modernizing IT infrastructure and audit systems.

Promote a Culture of Voluntary Compliance

Launch sustained awareness campaigns to educate corporate actors on their obligations and the value of transparent governance, especially for SMEs and family-owned enterprises.

Adopt Selective International Best Practices

Adapt relevant practices from regulators such as SEBI and the UK's FCA, particularly in the areas of whistleblower protection, beneficial ownership tracking, and investor grievance redressal.⁴⁶

⁴³ "The Role of SEBI in Regulating the Securities Market in India 4 Legal Lock Journal 2024," accessed July 4, 2025, <https://heinonline.org/HOL/LandingPage?handle=hein.journals/lglckjnl4&div=16&id=&page=>.

⁴⁴ "Corporate Governance Failures and the Role of Institutional Investors in Pakistan: Lessons to Be Learnt from UK | Request PDF," accessed July 4, 2025, https://www.researchgate.net/publication/323431906_Corporate_governance_failures_and_the_role_of_institutional_investors_in_Pakistan_Lessons_to_be_learnt_from_UK.

⁴⁵ "Private Regulatory Capture via Harmonization: An Analysis of Global Retailer Regulatory Intermediaries - Marques - 2019 - Regulation & Governance - Wiley Online Library," accessed July 4, 2025, <https://onlinelibrary.wiley.com/doi/abs/10.1111/rego.12252>.

⁴⁶ "Financial Conduct Authority | FCA," accessed July 4, 2025, <https://www.fca.org.uk/>.

Conclusion

The Securities and Exchange commission of Pakistan (SECP) is the centre of the endeavour in the country so that the corporate accountability, transparency and investor protection are met. Its area of action has been broadened with the years by the means of legislative changes, institutional reforms, and digital transformation. However, there is a mixed effect of these developments. Although the SECP has already made some positive initiatives, namely endorsing ESG guidelines, digitalization of regulatory procedures, and enhancing disclosure standards, it is still struggling with such frequent challenges as political interference, resource constraints, and poor interaction among regulatory agencies.

Comparative lessons of India and the UK have indicated that effectiveness in regulations does not just lie in their legal authority, but also the institutional independence, responsiveness and the involvement of the regulator with stakeholders. In Pakistan the SECP has the legal authority to take action but more challenges it faces are time lapses in action being taken, insufficient judicial assistance and a wider corporate culture of non-conformance.

Finally, to become a successful regulatory watchdog, the SECP will have to transform ahead of the process-oriented supervision and shift towards the philosophy of risk-based, transparent, and proactive enforcement. It will be paramount to resolve the pits within the system in regards to the concept of autonomy, capacity, and culture in an attempt to usher in a corporate environment of the Pakistan scene that is anchored into the realms of integrity and accountability.

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- Chhajed, Riya Aakesh. "The Role of SEBI in Regulating the Securities Market in India." *Legal Lock Journal* 4 (2024): 142.
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