

## ORDER SHEET

### IN THE HIGH COURT OF SINDH KARACHI

*Criminal Bail Application No. S-1554 of 2025.  
(Atif Muhammad Khan vs The State)*

*Cr. Bail Application No. S-1556 of 2025.  
(Imtiaz Ahmed Channa vs The State)*

*Cr. Bail Application No. 1559 of 2025.  
(Faisal Mehmood Shaikh vs The State)*

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DATE

ORDER WITH SIGNATURE OF JUDGES

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*For hearing of bail applications.*

**05.12.2025**

Applicants Imtiaz Ahmed Channa and Faisal Mehammad Shaikh are present on bail.

M/s. Raj Ali Wahid Kunwar, Nadir Burdi, Barrister Murtaza Wahab, Barrister Asad Iftikhar, Asad Itifaq, Abdul Basit, Zeeshan Saeed, Shoukat Muhammad Ali and Muhammad Talha Akhlaq Advocates for the Applicants.

M/s. Haider Waheed and Asad Ashfaq Tola Advocate for the Complainant.

M/s. Mohsin Kadir Shahwani, Additional Attorney General, Jan Muhammad Deputy Attorney General; and R. D. Kalhor, Assistant Attorney General, on behalf of the State.

Investigation Officer Umayad Arshad Butt Assistant Director Corporate Crime Circle, FIA, Karachi is present in person.

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**Ali Haider 'Ada', J.-** By this single order, I intend to dispose of the captioned bail applications. Criminal Bail Application No. 1554 of 2025 is a post-arrest bail application filed by applicant/ accused Atif Muhammad Khan, whereas Criminal Bail Applications No. 1556 of 2025 filed by applicant/accused Imtiaz Ahmed Channa and No. 1559 of 2025 filed by applicant /accused Faisal Mehmood Shaikh are pre-arrest bail applications. Prior to this, applicant Atif Muhammad Khan approached the learned VIII Additional Sessions Judge, Karachi South for post-arrest bail, but his application was dismissed vide order dated 23.05.2025. The

pre-arrest bail applications of the co-accused were also dismissed vide orders dated 11.06.2025.

2. Briefly, the facts of the case are that the Chairman, Board of Directors, Al-Falah Securities (Pvt.) Ltd. (ASPL) lodged a complaint with the FIA alleging corporate financial fraud, criminal misconduct, breach of trust, abuse of authority, falsification of accounts, and dishonest misappropriation of company funds for personal gains. The FIA Corporate Crime Circle, after due verification, initiated Inquiry No. 44/2024. ASPL is a subsidiary of Bank Al-Falah and is registered with the Company Registration Office, Karachi, and licensed by the SECP as a self-clearing broker providing brokerage services in listed securities. During the inquiry, FIA sought expert opinion from the SECP. Additional Joint Director Adnan Ahmed, who is also cited as a prosecution witness, opined that applicant/accused Atif Muhammad Khan had conducted personal trading at the company's expense. It was further alleged that during his tenure from 2015 to December 2023, he received Rs. 1.404 billion from the Bank and returned only Rs. 1.324 billion, creating a debit balance through bogus entries. The FIA also alleged that such fraudulent activities could not have been executed alone and were enabled by co-accused CFOs Imtiaz Ahmed Channa and Faisal Mehmood Shaikh. On completion of inquiry, FIR was registered under Section 154 Cr.P.C. The FIA, first submitted an interim challan, and later the final challan by arraying additional accused persons namely Minhas, Aslam, and Rehan.

3. Mr. Raj Ali Wahid, learned counsel for accused Atif Muhammad Khan, argues that the FIA lacks jurisdiction in view of Section 496 of the Companies Act, 2017 and Section 41-B of the SECP Act, 1997. He submits that any such matter is required to be referred to the SECP by the competent authority and the FIA cannot take direct cognizance without such reference or sanction. He relies on Section 37 of the SECP Act, 1997 and Section 204 of the Companies Act regarding duties of directors. He further argues that the Bank did not terminate the applicant; rather, his resignation was accepted on medical grounds. Counsel submits that the allegation of personal trading is mala fide

since even the new CEO, Muhammad Arshad, is engaged in trading. Counsel relies on an independent M/s A.F. Ferguson inquiry report which allegedly does not attribute any wrongdoing to the applicant. He submits that AFL and TRG shares were already sold and no loss occurred. He relies on case law reported as *2022 CLD 1, PLD 2022 Islamabad 371, 2016 SCMR 447, 2006 YLR 3142, PLD 2020 Sindh 601, 2024 SCMR 1525* and *2016 SCMR 18*.

4. Mr. Nadir Khan Burdi, learned counsel for accused Imtiaz Ahmed, submits that no allegation of personal trading has been attributed to this applicant. The record does not show that cheques were transferred to the principal accused. He submits that the CFO's job description does not create personal liability and the applicant was wrongly implicated. He further argues that an individual named Adnan Ajmeri, who allegedly conducted trading, has been cited as a prosecution witness, which itself shows mala fide. Counsel contends that facilitation, if any, is a matter for determination at trial, and bail must be considered on a tentative assessment.

5. Mr. Murtaza Wahab, learned counsel for accused Faisal Mehmood Shaikh, submits that the CFO reports to the CEO, and Sections 31-C and 31-D of the NAO, 1999 when read with the SECP Act, 1997 and Companies Act, 2017 show that such matters require regulatory proceedings rather than criminal prosecution. He submits that no complaint has been filed by the SECP. He argues that this is a private dispute and no member of the public has lodged any complaint. He argues that if private corporate disputes fall within FIA's jurisdiction, every internal company conflict would become a criminal matter. He relies on *2016 SCMR 447, 2022 P.Cr.L.J 644, 2013 P.Cr.L.J 318, PLD 1990 Quetta 51, 2022 SCMR 1223*, an unreported decision in CPLA No. 3236/20210, and *2020 PCrLJ 136*.

6. Conversely, Mr. Mohsin Qadir Shahwani, learned Additional Attorney General, submits that the CEO's role is primary and carries the highest responsibility. He argues that Section 496 of the Companies Act merely provides a regulatory mechanism, and where criminal

wrongdoing is disclosed, FIA has independent jurisdiction. He relies on Section 23 PPC regarding wrongful gain and on *PLD 2022 SC 409*.

7. The Investigating Officer present in Court submits that the CFOs are equally responsible as they maintained the accounts, and such fraud could not be committed by a single individual.

8. Mr. Haider Waheed, learned counsel for the complainant, supports the prosecution and submits that the accused persons misused company funds for personal trading, constituting breach of trust under Section 405 PPC. He submits that without the active facilitation of the CFOs, the alleged offences could not have been committed. He argues that falsification of books is an offence under the Penal Code. He contends that Term Finance Certificates issued were bogus, creating third-party interest without legal backing. He relies on paras 12 and 13 of the challan regarding the quantified embezzlement. He submits that the wife of accused Atif benefited from the funds and that personal dividend funds were deposited into personal accounts, as shown in records. He contends that the FIR is bona fide and not motivated. He argues that jurisdictional challenges are already subjudice before a Division Bench of this Court and therefore may not be considered at this stage. He finally submits that the applicants are not entitled to bail because their acts caused massive loss to the Bank and investors. He relies on several authorities including *2022 CLD 894*, *PLD 2022 SC 409*, *2019 YLR 1426*, *2021 PCrLJ 1270*, *2021 PCrLJ 1485*, *PLD 1997 SC 545*, *2019 PCrLJ 1503*, *2020 YLR 2001*, *2020 PCrLJ 939*, *PLD 2022 Lahore 684*, *2022 MLD 1444*, *2010 SCMR 1171*, *2016 SCMR 2064*, *2021 SCMR 449*, *2021 SCMR 552*, *PLD 2015 Sindh 101*, *2002 SCMR 442* and *2012 YLR 2136*.

9. Heard and thoroughly perused the material available on record.

10. From a careful perusal of the record, it appears that the allegations relate to Al-Falah Securities Pvt. Limited (hereinafter referred to as "ASPL"). It is an admitted fact that the accused include the Chief Executive Officer/ CEO (accused Atif Muhammad Khan) and the Chief Financial Officer(s)/CFO (accused Imtiaz Ahmed Channa and Faisal Mehmood Shaikh) of ASPL, As such, ASPL operated in

compliance with the provisions of the Companies Act, 2017, and the regulations issued by the Securities and Exchange Commission of Pakistan (SECP), ensuring that all corporate and regulatory obligations were duly observed.

11. First of all, the defence submits that the corporate nature of the entity (i.e. a company) must remain the central focus of this case. When the matter pertains to the affairs of a company, the appropriate statutory and regulatory framework under corporate law should apply namely the Companies Act, 2017 (or, where relevant, its predecessor Companies Ordinance, 1984) and the rules framed under the authority of the Securities and Exchange Commission of Pakistan (SECP) rather than general criminal statutes such as the Pakistan Penal Code (PPC) or the Federal Investigation Agency Act, 1974 (FIA Act, 1974) along with its procedural rules (such as Federal Investigation Agency (Inquiries and Investigations) Rules, 2002).

12. At the outset, it is pertinent to elaborate on the concept and definition of a company, as this forms the foundational basis of the present case. A company is defined under section 2(17) of the Companies Act, 2017. Prior to this legislation, the corporate framework in Pakistan was governed by the Companies Ordinance, 1984, and even earlier, during the colonial era, the Companies Act, 1913, was in force, which defined the company on similar lines. The fundamental concept underlying such legislation has always been to recognize a company as a separate legal entity distinct from its members, with its own rights, obligations, and liabilities.

13. The Companies Act, 2017, was enacted with the objective of reforming company law to facilitate corporatization and promote the development of the corporate sector. The Act encourages the use of technology and electronic means in the conduct of business and its regulation. It aims to regulate corporate entities in a manner that protects the interests of shareholders, creditors, other stakeholders, and the general public. Moreover, the legislation seeks to inculcate principles of good governance, safeguard the rights of minority shareholders, and

provide an alternate mechanism for the expeditious resolution of corporate disputes and matters arising out of or connected with company affairs.

14. At present, this matter concerns a company operating as a brokerage house providing services for trading shares of listed companies. Brokerage firm acts as an intermediary between investors and the stock market, offering the platform, tools, and expertise required to execute trades, manage client collections, and provide financial advice. In Pakistan, brokerage houses are regulated under the legal and regulatory framework established by the Securities and Exchange Commission of Pakistan (SECP).

15. The Securities and Exchange Commission of Pakistan (SECP) is the primary regulator of the capital markets and exercises oversight over all brokerage houses operating in Pakistan. Consequently, it is clear that the SECP, together with the Companies Act, 2017, is fully implicated in the matters involved in this case. The regulatory framework under SECP, governs the licensing, conduct, and compliance obligations of brokerage firms, while the Companies Act, 2017, prescribes the corporate governance, financial reporting, and statutory duties of the company and its officers.

16. Turning to international reference, in the United States, the Securities Exchange Act of 1934 is a Federal law governing the secondary trading of securities. Its primary objective is to prevent fraud, market manipulation, and other unfair practices in the securities markets. The Act also established the Securities and Exchange Commission (SEC) as the regulatory authority to oversee and enforce compliance in the markets. Major amendments to the Act include the Dodd-Frank Wall Street Reform, which further strengthened regulatory oversight. Additionally, the Investment Advisers Act of 1940 (U.S Federal Law) regulates the activities of investment advisers, imposing fiduciary duties and compliance obligations. Under these laws, any person who willfully violates any provision, rule, regulation, or order issued by the SEC may, upon conviction, be fine up to \$10,000,

imprisoned for a term not exceeding five years, or both. Similarly, in Pakistan, the SECP is the primary regulatory body responsible for overseeing capital markets and brokerage operations, and any alleged irregularities should be addressed within this statutory and regulatory framework.

17. On the other hand, if such matters constitute an offence under applicable law, they may be classified as white-collar crime. From an academic perspective, criminologists have developed several classifications of crime based on social context and the nature of the offence, likewise:

*White-collar crime:* Non-violent offences such as fraud, embezzlement, or bribery, typically committed by individuals in positions of authority or high social status in the course of their occupation. The term was coined by sociologist Edwin H. Sutherland in 1939.

*Blue-collar crime:* Crimes generally associated with individuals, often involving direct or physical acts.

*Red-collar crime:* introduced in forensic criminology by D. Richard and Frank Cullen (2008), referring to violent acts committed by white-collar criminals, often to cover up their original crimes.

*Green-collar crime:* Crimes with environmental impact, arising from environmental criminology studies.

Other “color-coded” crimes: Includes classifications such as black-collar, pink-collar, yellow-collar, or gold-collar crimes, used mainly for academic analysis rather than as legally recognized categories.

18. Thus, white-collar crime refers to offences that are non-violent in nature but are committed in the course of business or professional activities by those in positions of authority. In the present context, any alleged irregularities in brokerage operations or financial transactions would fall under this conceptual framework.

19. In this context, the merits of the instant case may be considered, as it is now well settled that, at the bail stage, the merits can be touched upon. Reliance in this regard is placed upon the judgments in **Abdul Rehmand v. The State (2023 SCMR 2081)**, **Javed Iqbal v. The State**

**(2022 SCMR 1424), and Muhammad Ijaz v. The State (2022 SCMR 1271).**

20. Now, if perused the statement of the PW Adnan Ahmed, the Additional Joint Director of SECP Karachi, who, at the request of FIA, provided assistance to the FIA in relation to the alleged crime. During his assessment, he concluded that the CEO, Atif Muhammad Khan (accused), was involved in the alleged scam and determined that an amount of Rs. 539.029 million was purportedly payable to the company by the accused. However, this figure, on its face, does not similar with the allegations made by the complainant, who is the acting Chairman of the Board of Directors.

21. The role and operations of the brokerage house in trading have been detailed in the preceding paragraphs. However, if the alleged offence is said to affect the public at large, the evidence of the purportedly aggrieved members of the public must be examined carefully.

22. In the present case, the prosecution's witnesses include the former CEO, the current CFO(s), the Head of the Risk Department, the Senior Manager Finance, Accounts Officer, Riders, Deputy Director SECP, Manager of Operations at the National Clearing Company, Liaison Officer of the Central Depository Company (CDC), Senior Chief Manager at Bank Al Habib, Shakeel ur Rehman, Operation Manager of Meezan Bank, Operation Manager of Bank Alfalah, and the Operation Manager of the Stock Exchange branch. Another witness, Aamir Raza Mir, who acted as a trader of the company, stated in his 161 CrPC statement that his client, Amir Yaseen, executed trades through the company and paid brokerage commissions. He further analyzed certain TFC transactions, claiming that they were allegedly fake and that the company traded using his client's funds, which were later returned with profit. However, the witness did not identify or point to any actual loss suffered by the client. Similarly, another witness, Raza Iqbal Agha, stated in his 161 CrPC statement that he and his brother, Hussain Iqbal Agha, invested a certain amount with the company, which was

subsequently returned with nominal profit. Another witness, Freyan Byram, also testified that the amount invested with ASPL was returned with nominal profit. The position of Amir Yaseen is substantially similar. Therefore, there is no concrete evidence of loss to the investors, which raises serious doubts about the prosecution's case. It is a well-settled principle of law that, in cases where reasonable doubt exists, the benefit of doubt must be extended to the accused, including at the bail. Reliance in this regard is placed upon the judgments in **Naveed Sattar v. The State and others (2024 SCMR 205)**, **Fahad Hussain v. The State (2023 SCMR 364)**, **Muhammad Ejaz v. The State (2022 SCMR 1271)**, and **Muhammad Arshad v. The State (2022 SCMR 1555)**.

23. The entire case appears to crux around the alleged fraudulent acts of the accused persons. However, the company had established mechanisms, as per general instructions and standard operating procedures (SOPs), to address any misconduct by employees. Typically, if an employee is found to be involved in irregularities, the procedure requires issuance of a show-cause notice, provision of an opportunity for a personal hearing, issuance of a final show-cause notice, and ultimately, termination. In the instant case, not a single witness deposed that any such procedural action was taken against the accused. On the contrary, the resignation of the accused were accepted by the complainant, who is the Chairman of the Board of Directors, particularly the resignation of the accused Atif Muhammad Khan was accepted on account of health reasons, as said accused is a cancer patient. The complainant also communicated via email, instructing the accused to clear the entire quantum of debit in his account, and not merely the trading-related losses.

24. The only action noted in the record is a single notice issued by an authorized functionary to accused Atif Muhammad Khan, which, according to the prosecution, was issued under section 176 of the Contract Act, 1872. Even then, this notice was not corroborated by the report of PW Adnan, who assisted the FIA, nor was it referenced in the FIR. The accused replied to the notice, providing clarification regarding the sale of stocks in the names of AGL and TRG. After this reply, the

prosecution has not produced any documentary evidence indicating further action taken against the accused. Thus, the absence of any formal procedural action against the accused under the company's SOPs or governance framework raises significant doubts about the allegations of fraudulent conduct.

25. At this stage, it is pertinent to discuss marginal trading, as it is directly related to brokerage operations. Marginal trading, or margin trading, is the practice of borrowing funds from a brokerage firm to purchase a larger quantity of securities than could be acquired with an investor's own capital. While this leverage can amplify potential returns, it also significantly increases the risk of losses. Investors use their own securities as collateral for the borrowed funds and are responsible for paying interest on the margin loan.

26. In Pakistan, margin trading is conducted through systems such as the Margin Trading System (MTS) at the Pakistan Stock Exchange (PSX). The MTS and all associated brokerage activities are regulated by the Securities and Exchange Commission of Pakistan (SECP), which establishes rules and guidelines for trading, risk management, margin requirements, and investor protection. Any assessment of alleged irregularities in brokerage operations involving margin trading must therefore be evaluated within this statutory and regulatory framework.

27. At the bail stage, a detailed appreciation of evidence cannot be undertaken. However, the Court is required to form a tentative assessment of the prosecution's case to determine whether there is sufficient ground for further inquiry. In order to make such a tentative assessment, the Court must consider the composite effect of the incriminating material presented by the prosecution, while also noting any inconsistencies or contradictions in the statements made in the FIR or other record. Reliance in this regard is placed on the case of **Resham Khan and another v. The State through Prosecutor General Punjab, Lahore and another (2021 SCMR 2011)**.

28. Moreover, where two reasonable opinions can be formed on the basis of the same material, the Courts are obliged to prefer and act upon

that which favors the accused, thereby safeguarding their fundamental rights to liberty, dignity, fair trial. Reliance is placed on the case of **Chairman, National Accountability Bureau through P.G., NAB v. Nisar Ahmed Pathan and others (PLD 2022 Supreme Court 475)**, which affirms this principle.

29. The gravity or heinous nature of an alleged crime cannot prevent the release of an accused on bail if the Court is satisfied that the guilt of the accused requires further investigation. Bail cannot be withheld as a strategy for punishment. This principle was applied in the case of **Husnain Mustafa v. The State and another (2019 SCMR 1914)**.

30. In the case of **Tariq Mahmood Shah v. The State and another (2020 P Cr. L J 608)**, it was held that:

*7. Perusal of the record reveals that the complainant got lodged the FIR with FIA Authorities, which has been registered after detailed inquiry by FIA (ACC). The tentative assessment of the record reveals that Muhammad Naeem Ex-RO-1 IESCO Sub-Division-1, Khalid Mahmood Commercial Assistant CSO-1 IESCO Sub-Division-1, Muhammad Rafique Accounts Officer IESCO Sub-Division-1, Islamabad and Gul Khatab private person in connivance with each other prepared and posted bogus scrolls relating to IESCO Consumer bills using fake accounts, managed and reconciled all the bogus monthly statements from the offices of IESCO, Computer Section, Finance Directorate through facilitation in the online system and as a result of the same loss of Rs.300 million or above has been caused to public ex-chequer as well as IESCO.*

*8. The allegations referred in the FIR reveal that petitioner Tariq Shan is a private person and petitioner Asif Rehman is Account Assistant of IESCO, who are not nominated accused in the FIR at first instance, however, both the petitioners have been nominated through supplementary statements. Petitioner Asif Rehman was nominated through statement of his co-accused in which it was alleged that he has recommended Ali Enterprises situated in G-9 Markaz for preparation of the seals of IESCO, which have been used for the fake billing payment although no direct recovery was effected from the said petitioners nor any incriminating articles have been recovered to connect them with the alleged crime except the statement of co-accused, whereas the effect of statement of co-accused against co-accused has been considered at the trial stage, although the statement can be utilized if corroborated through independent incriminating evidence against the petitioner. Reliance is placed upon 2001 SCMR 14 (The State v. Syed Abdul Qayyum) and 1997 SCMR 292 (Maula Bux and 8 others v. The State and 2 others).*

*9. Besides the above referred position, the petitioner Asif Rehman is although Accounts Assistant Finance Directorate of IESCO but the*

*I.O. has failed to point out any evidence or statement through which it can be assumed that he has prepared any bogus scrolls, bills or reconciled the statements in his office to facilitate the principal accused, which is considered to be ground of further inquiry in terms of section 497(2), Cr.P.C., even no incriminating material has been recovered from him to connect him at this stage with the alleged crime.*

*10. Similarly, I have gone through the record with able assistance of I.O. regarding role of petitioner Tariq Shah, who is a civilian and not employee of IESCO, who has been nominated on the statement of Shuja Ahmed, who stated to be manger of Shah Baba CNG Kurri Road, Eden Marquee ITP Road New Katarian, M. S. Jilani Enterprises CNG Tramry Chowk Islamabad and Round Two Plazas situated in P.W.D Colony Islamabad and as per I.O's claim the concession at the rate of 30% on the total bill of the consumer has been extended by the said petitioner, Tariq Shah, who allegedly received the payment from the consumer but the same was not deposited in the bank. This allegation can only be verified during the course of evidence in trial as at this stage transfer of payment by Shuja Ahmed to petitioner Tariq Shah is prima facie not visible from the record neither their relationship has been highlighted by the I.O. both the petitioners are behind the bars for the last two months and they are no more required for the purpose of further investigation and no useful purpose will be achieved at this stage by placing the petitioners behind the bars due to the fact that investigation to their extent has been completed. The role of above two petitioners requires further inquiry and as such they are entitled for concession of post arrest bail in terms of section 497(2), Cr.P.C. The offences with which the petitioners have been charged do not fall within prohibitory clause of section 497, Cr.P.C.*

31. Keeping in view the facts and circumstances of the case and after the overall discussion made hereinabove, the applicants are found entitled to the concession of bail. Accordingly, the post-arrest bail application of accused Atif Muhammad Khan is hereby allowed, subject to his furnishing solvent surety in the sum of Rs. 1,000,000 (One Million) and a P.R. bond to the satisfaction of the trial Court. Similarly, the pre-arrest bail applications of co-accused Imtiaz Ahmed Channa and co-accused Faisal Mehmood Shaikh, who were earlier granted interim pre-arrest bail by this Court vide order dated 12.06.2025, are hereby confirmed on the same terms and conditions as mentioned in the said interim order.

32. All the applications are accordingly disposed of. It is, however, clarified that all observations made herein are tentative in nature and shall not influence the trial Court while deciding the case. The Office is

directed to place a copy of this order in the record of the connected captioned bail application.

*JUDGE*