



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 10 of 2023

M/s. Bawany Securities (Private) Limited

Versus

...Appellant

Director – Adjudication I

...Respondent

Date of hearing:

March 5, 2026

Present:

For the Appellant:

1. Mr. Muhammad Ayub
2. Mr. Muhammad Shafi

For the Respondent:

1. Mr. Sohail Qadri (Director, Adjudication – I), SECP
2. Mr. Muhammad Faisal, Deputy Director, Adjudication Department -I, SECP
3. Mr. Hammad Ahmed, Assistant Director, Adjudication Department -I, SECP

## ORDER

1. This Order disposes of Appeal No. 10 of 2023 filed by Bawany Securities (Private) Limited (the “Appellant”) against the Order dated November 14, 2022 (the “Impugned Order”) passed by the Director, Adjudication Department-I, Securities and Exchange Commission of Pakistan (the “Respondent”) under Section 6A(2)(h) of the Anti-Money Laundering Act,



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- 2010 (the “AML Act”) read with Rules 4(1) and 6(1) of the AML/CFT Sanctions Rules, 2020 and Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the “AML Regulations”).
2. The brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited (PSX) and is licensed as a securities broker with the Securities and Exchange Commission of Pakistan. An Inspection (the “Inspection”) of the Appellant was conducted by a Joint Inspection Team (“JIT”) comprising officials of the PSX, Central Depository Company of Pakistan Limited, and National Clearing Company of Pakistan Limited for the review period from October 01, 2021 to December 31, 2021 (the “Review Period”) to assess compliance with the AML Regulations. The Inspection identified certain deficiencies including failure to maintain evidence of periodic screening of clients against lists of proscribed persons or entities in terms of Regulation 25(1), failure to adequately justify the classification of certain customers as low risk under Regulation 23(2), and failure to maintain complete Know Your Customer (KYC) and Customer Due Diligence (CDD) documentation, including identification and verification records of customers and beneficial owners, as required under Regulations 9 and 11 of the AML Regulations. Consequently, the Respondent initiated proceedings through Show Cause Notice dated August 26, 2022 (the “SCN”). After considering the submissions of the Appellant during the hearing, the Respondent, through the Impugned Order, held the Appellant liable for the aforesaid contraventions and imposed a penalty of Rs. 260,000 under Section 6A(2)(h) of the AML Act.
  3. The Appellant submitted that the Impugned Order suffers from misappreciation of facts and misapplication of the AML Regulations. It was contended that the Respondent failed to properly consider the explanations and documentary material placed on record during the Inspection proceedings, the written response to the SCN, and the hearing before the Adjudication Officer.
  4. With respect to the alleged violation of Regulation 25(1) relating to Targeted Financial Sanctions (“TFS”) screening obligations, the Appellant submitted that the Respondent itself acknowledged in the Impugned Order that screening of the two clients identified in the SCN

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had been conducted at the time of account opening. The Appellant further submitted that evidence of acknowledgment of emails received from the Respondent in relation to certain SROs circulated by the relevant authorities had also been provided. It was contended that the deficiency noted during the Inspection primarily related to the absence of retrievable electronic records of certain screening activities, which the Appellant attributed to a virus affecting the backup system in which the relevant soft copies were stored. According to the Appellant, screening activities were nevertheless carried out and confirmations were submitted within the prescribed timeframes and, therefore, the absence of archived electronic records should not, by itself, be treated as establishing non-compliance with Regulation 25(1).

5. Regarding the alleged contravention of Regulation 23(2) concerning justification for classification of customers as low risk, the Appellant submitted that the risk categorization of clients was carried out through the standard Know Your Customer (“KYC”) forms used by securities brokers, which record the information necessary to determine the appropriate risk rating. The Appellant argued that since the KYC documentation contained the relevant customer information and risk categorization fields, no separate written justification was required for assigning a ‘low-risk’ rating. It was further submitted that, upon observations raised by the JIT, the Appellant nevertheless provided additional explanations regarding the background, employment status, income sources, and trading activity of the clients concerned, demonstrating that the ‘low-risk’ categorization was reasonable in the circumstances.
6. The Appellant further contended that the findings of non-compliance with Regulations 9 and 11 relating to customer identification and beneficial ownership verification were not justified. It was submitted that the relevant KYC and CDD documentation for the clients identified in the SCN was subsequently produced and explained before the Respondent. The Appellant argued that the AML framework itself permits certain verification formalities to be completed during the course of establishing a business relationship where the money-laundering or terrorist-financing risk is low and the completion of verification is carried out within a reasonable time. In this regard, reliance was placed on Regulations 16 and 17 of the AML Regulations, which allow regulated persons to complete identity verification after establishing a business relationship, provided that the process is completed as soon as reasonably practicable and the associated ML/TF risks are low. According to the Appellant,

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the clients in question were small investors known to the Appellant and, therefore, the completion of documentation following the Inspection observations could not properly be construed as a regulatory violation.

7. In view of the foregoing submissions, the Appellant maintained that the alleged deficiencies were either satisfactorily explained or subsequently rectified and did not constitute material breaches warranting the penalty imposed. The Appellant, therefore, requested that the Appellate Bench set aside the Impugned Order and grant the relief sought in the Appeal.
8. The Respondent contended that the present Appeal is misconceived and liable to be dismissed, as the Impugned Order was passed strictly in accordance with the applicable provisions of the AML Act, the AML/CFT Sanctions Rules, 2020, and the AML Regulations after due consideration of the written and oral submissions made by the Appellant during the adjudication proceedings.
9. The Respondent submitted that the Appellant's contentions regarding Regulation 25(1) of the AML Regulations are misplaced, as the Impugned Order had already examined each of the observations raised in the SCN. The Respondent argued that although the Appellant produced evidence demonstrating screening of two clients at the time of account opening, the Inspection findings, nevertheless, established that the Appellant failed to maintain evidence of periodic screening of its clients. The Respondent further contended that the Appellant also failed to maintain records of screening performed prior to submission of compliance status with the relevant authorities during the Review Period. The Respondent maintained that the explanation advanced by the Appellant regarding loss of records due to a system virus was not tenable, as regulated persons are required to maintain proper records demonstrating compliance with screening obligations. The Respondent, therefore, asserted that the finding of non-compliance with Regulation 25(1) was justified.
10. It was further submitted by the Respondent that, with respect to screening related to certain SROs circulated by the authorities, the Appellant only produced acknowledgment emails in relation to two out of the three SROs identified in the SCN. The Respondent argued that although the Impugned Order took this fact into consideration, the same did not negate the broader deficiency noted by the JIT regarding the absence of documented evidence of

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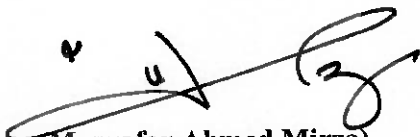
periodic screening and maintenance of screening records as required under the AML regulatory framework.

11. The Respondent contended that the Appellant's submissions regarding Regulation 23(2) of the AML Regulations are also without merit. The Respondent maintained that the Impugned Order had already examined the matter and recorded that deficiencies existed in the KYC/CDD documentation of several customers who had been categorized as low risk. The Respondent asserted that merely marking a client as 'low risk' on a KYC form without recording adequate written justification does not satisfy the regulatory requirement under Regulation 23(2).
12. The Respondent further submitted that the findings relating to Regulations 9 and 11 of the AML Regulations were correctly recorded in the Impugned Order. The Respondent argued that the Inspection findings demonstrated that the Appellant was unable to produce complete KYC and CDD documentation for certain clients at the relevant time. The Respondent contended that the subsequent production of certain documents during the adjudication proceedings does not negate the deficiencies observed during the Inspection.
13. The Respondent submitted that the Impugned Order had adequately addressed the explanations provided by the Appellant and correctly determined that contraventions of the AML Regulations were established. The Respondent accordingly prayed that the present Appeal be dismissed and the Impugned Order be upheld.
14. Upon examination of the record, including the Impugned Order and the submissions of the parties, the Bench is satisfied that the Respondent was justified in concluding that deficiencies existed in the Appellant's compliance with Regulations 25(1), 23(2), 9 and 11 of the AML Regulations at the time of the Inspection. The record reflects that the Appellant failed to maintain adequate evidence of periodic screening of its clients, did not sufficiently justify the categorization of certain customers as low risk, and was unable to produce complete KYC and CDD documentation for certain clients during the Inspection. The Bench, therefore, finds no infirmity in the conclusion that contraventions were established.



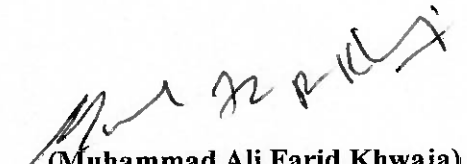
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15. However, the Bench also notes that the deficiencies identified largely relate to documentation and record-maintenance gaps. In this regard, the explanation regarding a system virus affecting certain records, together with the subsequent production of documentation and explanations during the proceedings, suggests that the material on record does not indicate that the deficiencies were deliberate or mala fide in nature. Moreover, no instance of money laundering or suspicious transaction was identified during the Inspection. These mitigating circumstances warrant consideration in determining the proportionality of the penalty.
16. Accordingly, while the findings of contravention are maintained, the penalty imposed through the Impugned Order is considered excessive in light of the mitigating circumstances discussed above and is hereby reduced from Rs. 260,000 to Rs. 130,000. The Appeal is accordingly disposed of with no order as to costs.



(Muzzafar Ahmed Mirza)

Commissioner



(Muhammad Ali Farid Khwaja)

Commissioner

Announced on:

**12 MAR 2026**