



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter or

Appeal No. 101 of 2023

MSMANIAR Financials (Private) Limited

..... Appellant

versus

Additional Director (Adjudication Department – I), SECP

..... Respondent

Date of Hearing:

May 29, 2025

Present:

For the Appellant:

Mr. Mohammad Saad Maniar, CEO, Authorized Representative

For the Respondent:

1. Mr. Mubasher Saeed Saddozai, Executive Director, Adjudication Division, SECP
2. Mr. Muhammad Faisal, Deputy Director, Adjudication-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 101 of 2023 filed by MSMANIAR Financials (Private) Limited (the Appellant), against the Order dated September 12, 2023 (the Impugned Order), passed by the Additional Director (Adjudication Department-I), SECP (the Respondent), under Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 (the Regulations) read with Rule 4(1)(a) and 6(1) of the AML/CFT Sanction Rules, 2020 (the Rules) and Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (the Act).



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2. Brief facts of the case are that the Securities and Exchange Commission of Pakistan (the Commission) constituted a Joint Inspection Team (JIT) to conduct an inspection (the Inspection) of the Appellant's adherence to the Regulations during the period from June 1, 2022, to August 31, 2022. The JIT conducted a thorough review of the Appellant's internal control systems, Customer Due Diligence (CDD) and Know Your Customer (KYC) procedures, ongoing monitoring mechanisms, transaction record maintenance, and risk assessment frameworks. The Inspection revealed multiple non-compliances, notably including deficiencies in customer identification processes where the Appellant failed to properly verify certain clients' identities in accordance with the prescribed regulatory standards. The alleged non-compliances identified by the JIT are as follows:

Client #	CDC Sub-A/C No.	Non-Compliances	Violated Regulations
Client 1	16304	No documentary evidence of source of income, CDD, and KYC/CDD of Joint Account Holder	Regulation 9 read with Serial 2 and Note (i)(o) of Annex-I
Client 2	16460	No evidence of source of income, CDD, identification of beneficial owner, updated risk classification, and KYC/CDD of Joint Holder	Regulations 8, 9, 11, 16 read with Serial 2 and Note (i)(o) of Annex-I
Client 3	19381	No evidence of CDD, KYC/CDD of Joint Holder, EDD (high-risk jurisdiction), risk classification, NADRA Verisys	Regulations 8(3), 9, 21(1) read with Serial 2 and Note (i)(o) of Annex-I
Client 4	19845	No evidence of source of income, CDD, identification of beneficial owner, and KYC/CDD of Joint Holder	Regulations 9, 11, 16 read with Serial 2 and Note (i)(o) of Annex-I
Client 5	21791	No evidence of performance of CDD	Regulation 8
Client 6	22153	No evidence of source of income, CDD, and KYC/CDD of Joint Holder	Regulations 8, 9 read with Serial 2 and Note (i)(o) of Annex-I
Client 7	22161	No evidence of source of income, CDD, and KYC/CDD of Joint Holder	Regulations 8, 9 read with Serial 2 and Note (i)(o) of Annex-I
Client 8	22229	No evidence of CDD	Regulation 8

Pursuant to the aforementioned findings, the Respondent issued a Show Cause Notice (the SCN) dated July 07, 2023, calling upon the Appellant to explain the alleged non-compliances. In response, the Appellant submitted a written reply dated July 19, 2023, wherein it addressed the issues raised in the SCN and a hearing in the matter was held on August 01, 2023. The Respondent concluded the proceedings and imposed a penalty of Rs. 130,000/- on the Appellant.

3. The Appellant has preferred this Appeal, *inter-alia*, on the grounds that it had fully understood and adhered to the spirit and requirements of the Regulations and Guidelines



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issued by the Commission and had implemented a functional and automated screening system for account holders and their nominees. The Appellant contended that all clients identified in the Impugned Order were longstanding, well-known to the brokerage house and do not fall under the purview of money launderers or terror financiers. The Appellant submitted that appropriate documentation under Annex I of the Regulations, as well as CDD in accordance with Section 7A(2)(a)(b)(c) of the Act and Regulations 8, 9, 11, and 16 of the Regulations, had been duly completed for each account and that no concealment or misrepresentation had occurred. The Appellant further argued that all account openings were subject to verification and clearance by the National Clearing Company of Pakistan Limited (NCCPL) and the Central Depository Company (CDC), both of which had mechanisms to ensure regulatory compliance. The Appellant further submitted that accounts were operated on an advance payment basis without any provision of financing, thereby mitigating risk and aligning trading activity with customer profiles. The Appellant further asserted that most of the subject accounts were inactive, with no trading activity or movement of funds, and had been inherited or maintained through legitimate sources with verifiable documentation, which was acknowledged by the JIT during their visit. The Appellant further submitted that any perceived non-compliance stemmed from misinterpretation or documentary oversight rather than substantive regulatory breaches. The Appellant also expressed willingness to implement the Commission's recommendations to enhance compliance. Lastly, the Appellant prayed that the Impugned Order be set aside.

4. In response to the submissions of the Appellant, the Respondent, *inter alia*, contended that the Impugned Order had been passed strictly in accordance with law after a thorough and comprehensive review of all relevant facts, documents, and representations made by the Appellant, and thus, did not suffer from any legal or procedural infirmity. The Respondent submitted that, in respect of Client 1 (*CDC Sub-Account No. 16304*), the Appellant failed to provide any evidence, and CDD of the joint account holder was not carried out, thereby establishing violation of Regulation 9 of the Regulations read with Serial 2 and Note (i)(o) of the Annex-I thereof. With regard to Client 2 (*CDC Sub-Account No. 16460*), the Respondent submitted that the Appellant failed to provide any evidence of performing risk categorization of the client, further, neither CDD of the joint account holder was carried out nor source of income was provided, resulting in violation of Regulation 8 and



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Regulation 9 of the Regulations read with Serial 2 and Note (i)(o) of the Annex-I thereof. As regards Client 3 (*CDC Sub-Account No. 19381*), the Respondent denied the Appellant's contention and submitted that the Appellant failed to conduct Enhanced Due Diligence (EDD) in respect of a 'high-risk' customer belonging to a high-risk geographical location. Moreover, updated risk categorization was not performed and CDD of joint account holder was also not available in the documents furnished by the Appellant, and thus, the Appellant did not ensure compliance with Regulations 8(3), 21(1), and 9 of the Regulations. With regard to Client 8 (*CDC Sub-Account No. 22229*), the Respondent stated that the Appellant did not perform CDD of the client on a timely basis due to which evidence of compliance was not available at the time of Inspection, and therefore, violation of Regulation 8 of the Regulations was established. The Respondent accordingly prayed that the Impugned Order, having been passed after taking into consideration all facts and following due process of law, be upheld.

5. The Appellate Bench (the Bench) has heard the arguments advanced by both parties and has undertaken a meticulous examination of the record and submissions placed before it. It appears from the record that the Inspection conducted by the JIT highlighted certain gaps in compliance with the requirements of the Regulations on part of the Appellant. The said observations primarily relate to shortcomings in documentation of CDD, incomplete verification of joint account holders, non-performance of EDD in cases involving high-risk customers, lack of updated risk categorization and information relating to source of income in some instances. While these deficiencies are indicative of a lapse in adherence to the regulatory framework, the Bench is also mindful of the mitigating context placed on record by the Appellant that the accounts in question relate to longstanding clients, many of which were dormant or inactive, and were opened following internal due diligence procedures. The Bench considered the explanation and stance of the Appellant with regard to there not being any element of *mala fide* intent or deliberate concealment of client information. The Bench observed that the Appellant is committed to undertake corrective measures and strengthening its internal controls to ensure compliance going forward. The Bench also observed that while the violations stand established on record, the same do not *per se* reflect the existence of any underlying money laundering or terror financing activity particularly in respect of dormant or inactive accounts. The cooperation extended by the Appellant during the Inspection proceedings and its stated willingness to comply with the regulatory



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framework have also been considered as mitigating circumstances. In view of the foregoing, the Bench is of the considered view that while the regulatory non-compliances warrant regulatory action, a degree of leniency is justified in the quantum of penalty. Accordingly, the penalty imposed on the Appellant is reduced from Rs. 130,000/- to Rs. 100,000/-.

6. Accordingly, the Appeal is **disposed of** on above terms with no order as to costs.


(Abdul Rehman Warraich)
Commissioner


(Muzzafar Ahmed Mirza)
Commissioner

Announced on: **20 JUN 2025**