



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 12 of 2022

BIPL Securities Limited

...Appellant

Versus

Director/HOD, Adjudication – 1

...Respondent

Date of hearing:

January 30th, 2025

Present:

For the Appellant:



Mr. Arbaz Ahmed Yar Khan (Legal Counsel)

For the Respondent:

1. Mr. Sohail Qadri (HOD-Adjudication-I, SECP)
2. Mr. Muhammad Akram (Assistant Director-Adjudication-I, SECP)

ORDER

1. This Order shall dispose of Appeal No. 12 of 2022 filed by BIPL Securities Limited (“the Appellant”) through its Compliance Officer Mr. Muhammad Zubair along with the legal counsel Mr. Arbaz Ahmed Khan, (“the Authorized Representative”) under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the “the SECP Act”) against the Order dated July 23rd, 2021 (the “Impugned Order”) passed by the Director (Adjudication-I) (“the Respondent”) under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (“the Act”).
2. The brief facts of the case are that the Respondent is a Trading Rights Entitlement Certificate (“TREC”) holder of the Pakistan Stock Exchange Limited (“PSX”) and licensed as a Securities Broker under the Securities Act, 2015. A compliance review (“the Review”) of the Appellant



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was initiated by the Securities and Exchange Commission of Pakistan (“the Commission”) vide letter dated November 13th, 2020. The Review aimed to assess compliance of the Appellant with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (“AML Regulations”). The Review *inter alia*, revealed various non-compliances where the Appellant had failed to comply with the applicable provisions, i.e., Regulations 6(3)(a), and (c) and 13(1), (3) and (4) of the AML Regulations. Pursuant to the inspection a Show-Cause Notice (“the SCN”) dated April 16th, 2021 was issued to the Appellant requiring a written reply within fourteen days of the date of the SCN. The Respondent vide its letter dated May 03rd, 2021 submitted a reply to the SCN. The Appellants were accorded an opportunity to personal hearing on June 1st, 2021. After examining the submissions and considering the facts it was established that the Appellant had failed to perform customer due diligence and ensure ongoing monitoring for one of its clients, and subsequently the Respondent, in exercise of powers conferred under Section 40A of the Act conferred a penalty of Rs.350,000/- (Rupees Three Hundred and Fifty Thousand Only) on the Appellants for the aforementioned contraventions of the AML Regulations.

3. The Appellant filed this Appeal on several grounds, including the assertion that the Impugned Order lacks a proper appreciation of facts or law. The Authorized Representative for the Appellant contended that the Impugned Order penalized the Appellant without considering the efforts by the Appellant to ensure compliance with the AML Regulations. The Authorized Representative asserted that the Respondents' allegation regarding the discrepancy between the client's profile and their transactions is an inaccurate one. Pursuant to the foregoing, the Authorized Representative also submitted that the transactions at issue were duly supplemented with the required documents. The Authorized Representative proceeded with the submission and highlighted that the *Verisys* authentication for the client was carried out at the time of opening the brokerage account. Moreover, the Authorized Representative submitted that the client's income profile was also updated based on the available 2020 financial accounts. The Authorized Representative further asserted that the Appellants response to the SCN was misread and misconstrued while passing of the Impugned Order. The Authorized Representative submitted that the Impugned Order violates Article 10-A of the Constitution of Pakistan and Section 24-A of General Clauses Act, 1897 and asserted that the “content” of the



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Impugned Order is a mere repetition of the stance adopted in the SCN which demonstrates the Respondents failure to determine the alleged violations on merit. Furthermore, the Authorized Representative submitted that the Respondent erred in holding the Appellant in violation of the AML Regulations and highlighted that not only was the Appellant compliant with the AML Regulations but had also responded to each alleged violation demonstrating that the Appellant is not in violation of the AML Regulations. The Authorized Representative also submitted that the Impugned Order fails to meet the requirements of Section 40A of the SECP Act, 1997, and hence, imposing a penalty of Rs. 350,000/- is not justified, particularly, as the Appellant was compliant of the AML Regulations. On the basis of these contentions the Appellant requested the Bench to set aside the Impugned Order and give any other relief that the Honourable Appellate Bench deems fit and appropriate, taking into consideration the aforementioned contextual factors.

4. The Respondent countered the grounds of the Appeal and proffered arguments. The Respondent, in response to the Appellant's contention, emphasized that not only was the Impugned Order issued in strict accordance with the law but also after a thorough consideration of the facts presented in this case. The Respondent submitted that the profile of the client was discrepant with the transactions carried out in his account since the monthly income recorded in the KYC Form was Rs.50,000/- and the transactions being carried out were of significant amount demonstrating the Appellants failure to perform effective CDD. Furthermore, the Respondent submitted that subsequent to the Review, the Appellant provided income tax returns of 2019 obtained from its client, showing net assets of Rs. 888.795 million without providing details of source and quantum of income. The Respondent also submitted that subsequent to the Review, the Appellant determined the monthly income of the said client to be Rs. 850,000/-. In view of this, the Respondent submitted that the aforementioned demonstrated the Appellant's failure to update the clients record in a timely manner and carry out ongoing monitoring. Moreover, the Respondent submitted that the foregoing submissions highlighted the deficiency in the Appellant's mechanism for ongoing monitoring. The Respondent asserted that the Authorized Representative for the Appellant fails to explain as to how the Impugned Order fails to meet the requirements of Section 40A of the SECP Act, 1947. The Respondent submitted that the Impugned Order is fair and was passed after due

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consideration of the facts of the case and the established non-compliance of the AML Regulations by the Appellant. Lastly, the Respondent submitted the Impugned Order itself is a speaking Order.

5. The Bench has heard the arguments of both the parties and perused the record. The Bench is of the opinion that the Appellant was obligated to fully comply with the relevant AML Regulations, and that the Appellant failed to ensure ongoing monitoring for one of its clients. However, it is also noted that the Appellant did update its client's profile and provide certain documents, nonetheless, it was revealed that this was subsequent to the observations highlighted in the Review. The Bench is hopeful that in future the Appellant will be highly vigilant in adhering to the AML Regulations. The Bench has also observed that the Appellant has made efforts to rectify the non-compliance and is striving to adhere to the AML Regulations.
6. In view of the foregoing, the Bench, considers it justified to reduce the penalty to Rs.150,000/- . The instant Appeal is disposed of on above terms without any order as to costs.

(Abdul Rehman Warraich)
Commissioner

(Mujtaba Ahmad Lodhi)
Commissioner

Announced On:

11 APR 2025