



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 13 of 2021

Salman Majeed Securities (Pvt.) Limited

..... Appellant

versus

Executive Director, Adjudication Department-I, Adjudication Division, SECP

..... Respondent

Date of Hearing:

May 13, 2026

Present:

For the Appellant:

Mr. Salman Majeed Sheikh, CEO

For the Respondent:

Mr. Muhammad Faisal, Deputy Director, Adjudication Department-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 13 of 2021 filed by Salman Majeed Securities (Pvt.) Limited (the "Appellant"), against the order dated December 22, 2020 (the "Impugned Order"), passed by the Executive Director, Adjudication Department-I, Adjudication Division, SECP (the "Respondent"), under Section 40A of the Securities and Exchange Commission of Pakistan, 1997 (the "SECP Act").
2. Brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate ("TREC") holder of the Pakistan Stock Exchange ("PSX") and licensed as a securities broker by the Securities and Exchange Commission of Pakistan (the "Commission"). An Inspection (the "Inspection") of the Appellant was conducted by the Joint Inspection Team

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(“JIT”) pursuant to the inspection order dated March 13, 2020, to ascertain compliance of the Appellant with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the “AML Regulations”). The Inspection covered the period from December 01, 2019 to February 29, 2020. The Inspection revealed various deficiencies and contraventions of the AML Regulations, including deficiencies in the AML/CFT policy in violation of Regulation 4(a), failure of the compliance officer to monitor, review and update AML/CFT policies and procedures in violation of Regulation 18(c)(iii), failure to maintain updated customer identification information and absence of an effective system for monitoring expiry of CNICs in violation of Regulations 6(4) and 13(3), failure to conduct Enhanced Due Diligence (“EDD”) and obtain requisite senior management approval in respect of high-risk customers in violation of Regulations 9(3) and 9(4)(a), failure to carry out periodic screening of customers, nominees, joint account holders, authorized persons, trustees and office bearers against the proscribed person’s lists in violation of Regulations 13(1) and 13(7), deficiencies in Customer Due Diligence (“CDD”) and source of income verification in violation of Regulations 6(3)(c), 13(1) and 13(3), and failure to validate identity documents of certain customers through NADRA *Verisys* in violation of Regulation 6(4) of the AML Regulations.

3. The JIT communicated its Letter of Findings (“LOF”) to the Appellant vide letter dated May 11, 2020, identifying the deficiencies and non-compliances observed during the course of Inspection. The Appellant submitted its written response thereto vide letter dated May 21, 2020.
4. In view of the aforesaid observations, the Respondent issued a show-cause notice dated September 28, 2020 (the “SCN”) to the Appellant. The Appellant submitted a written reply to the SCN vide letter dated October 09, 2020. Hearing in the matter was held on December 17, 2020. The Respondent concluded the proceedings and held that the contraventions of Regulations 4(a), 6(3)(c), 6(4), 9(3), 9(4)(a), 13(1), 13(7), 13(3) and 18(c)(iii) of the AML Regulations are established. Consequently, a penalty of Rs. 450,000/- (Rupees Four Hundred and Fifty Thousand only) was imposed upon the Appellant, while the compliance officer was warned to remain careful in future.



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5. The Appellant has preferred the instant Appeal, *inter-alia*, on the grounds that the Respondent had erred in concluding that the Appellant had violated Regulation 4(a) of the AML Regulations relating to deficiencies in its AML/CFT Policy and Procedures. The Appellant contended that it had revised its AML/CFT Policy and Procedures after issuance of the National Risk Assessment, 2019 (“NRA”) and the revised policy had been approved by the Board of Directors in its meeting held on December 23, 2019. The Appellant further submitted that the revised policy had been furnished to the JIT in response to the LOF vide letter dated May 21, 2020, and that specific page references containing the allegedly missing contents had also been identified therein. The Appellant argued that although the Respondent had subsequently directed the Appellant during hearing proceedings held on December 17, 2020 to furnish a para-wise comparison of its policy and procedures against the observations raised by the JIT, and the Appellant had submitted the same vide response dated December 21, 2020 along with supporting documents and page references, the Respondent failed to consider the said material before passing the Impugned Order. The Appellant submitted that the findings recorded under Regulation 4(a) and the consequential finding under Regulation 18(c)(iii) of the AML Regulations were therefore based upon non-consideration of the material available on record.
6. The Appellant further submitted that the Respondent had wrongly concluded that the Appellant had violated Regulation 6(4), Regulation 13(3) and Note (iv) to Annexure-I of the AML Regulations concerning expired CNICs and systems for generation of expiry alerts. The Appellant contended that the LOF did not contain any observation regarding absence of a system for generating alerts relating to CNIC expiry. The Appellant further contended that the JIT had itself obtained expiry reports from the Appellant during the Inspection, which, according to the Appellant, demonstrated existence of systems for generation of CNIC expiry alerts. The Appellant submitted that it had designated software systems, namely; *Smart Stock System* (“SSS”) and *Central Depository System* (“CDS”), for monitoring expiry of CNICs of account holders, joint account holders and nominees. The Appellant further argued that no account had been opened on the basis of expired CNICs or NADRA receipt/token in contravention of Note (iv) to Annexure-I of the AML Regulations. The Respondent submitted that copies of the reports generated through the aforesaid systems had also been furnished to the Respondent along with the Appellant’s reply to the SCN in order to demonstrate compliance with the applicable AML Regulations.

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7. With regard to the alleged contraventions of Regulations 9(3) and 9(4)(a) of the AML Regulations relating to the EDD and approval from senior management in respect of 'high-risk' customers, the Appellant submitted that the JIT had not demanded EDD documents from the Appellant during the Inspection. The Appellant contended that copies of the relevant EDD forms relating to the identified account holders had been furnished to the JIT along with the Appellant's response dated May 21, 2020 and the approvals from senior management were reflected on the last pages of the EDD forms. The Appellant further submitted that copies of the same EDD forms were again furnished with the Appellant's reply to the SCN. The Appellant argued that despite repeated submission of the same documents, the Respondent ignored the documentary evidence and incorrectly presumed that the EDD forms had been created subsequent to issuance of the SCN.

8. The Appellant also assailed the findings recorded under Regulations 13(1) and 13(7) of the AML Regulations relating to periodic screening of customers and related persons against the list of proscribed persons lists. The Appellant submitted that the JIT had required the Appellant to furnish evidence of periodic screening under Regulation 13(7) read with Regulation 6(5)(a) of the AML Regulations. The Appellant contended that in response thereto, it had furnished evidence of compliance through the *GoAML* portal, a platform developed by the United Nations Office on Drugs and Crime ("UNODC") to help Financial Intelligence Units ("FIUs") worldwide combat money laundering, terrorist financing, and other organized financial crimes. The Appellant further submitted that it had furnished copies of fortnightly compliance reports evidencing screening of client databases against the United Nations Security Council Consolidated List and screening conducted through National Clearing Company of Pakistan Limited ("NCCPL") against the list of proscribed persons maintained by NACTA. The Appellant submitted that the aforesaid material demonstrated that periodic screening of clients had been carried out on a fortnightly basis.

9. In relation to the alleged violations of Regulations 6(3)(c), 13(1) and 13(3) of the AML Regulations concerning source of income verification and CDD, the Appellant submitted that such observations were not part of the LOF and, therefore, no comments had initially been sought from the Appellant in that regard. The Appellant contended that the Respondent itself had accepted the salary slip of one identified customer as valid proof of source of income. In respect of the second customer, the Appellant submitted that the

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Respondent had wrongly assumed that an income tax statement had subsequently been procured and furnished after Inspection on the basis of the printing date appearing on the document. The Appellant clarified that no such income tax statement had ever been submitted by the Appellant to the Respondent. The Appellant submitted that the finding recorded by the Respondent in this regard was therefore based upon misunderstanding of the factual position.

10. The Appellant further submitted that NADRA *Verisys* of customer identity documents had already been furnished to the JIT on April 14, 2020 along with account opening forms, and the dates appearing on such documents reflected that verification had been performed prior to the Inspection. The Appellant further submitted that the same documents were subsequently annexed with the reply to the SCN. According to the Appellant. The Appellant submitted that the Respondent failed to consider the material placed on record and incorrectly concluded that the verifications had been carried out subsequent to the Inspection.
11. The Appellant contended that despite furnishing explanations and remedial measures during the hearing, the Respondent imposed a penalty on the Appellant which was contrary to the principles of equity and justice. The Appellant further submitted that the Impugned Order was based on misreading of facts and reflected. Accordingly, the Appellant prayed that the Impugned Order be set aside.
12. The Respondent rebutted the arguments of the Appellants on the following grounds, *inter-alia*, that the submissions raised by the Appellant with respect to the findings recorded under Regulations 4(a) and 18(c)(iii) of the AML Regulations were misconceived, contrary to the record, and were duly addressed in paragraphs 3(a), 3(b), 6(i) and 6(ii) of the Impugned Order.
13. The Respondent further submitted that the Appellant's assertions regarding alleged compliance with Regulation 6(4), Regulation 13(3) and Note (iv) to Annexure-I of the AML Regulations, particularly in relation to expired CNICs and the generation of expiry alerts, were incorrect and stood expressly contradicted by the material on record, as reflected in paragraphs 3(c) and 6(iii) of the Impugned Order.



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14. The Respondent further submitted that the Appellant's contentions regarding compliance with Regulations 9(3) and 9(4)(a) pertaining to EDD and senior management approval for 'high-risk' customers were untenable and stood negated by the findings recorded in paragraphs 3(d) and 6(iv) of the Impugned Order. The Respondent further submitted that the Appellant's stance regarding periodic screening obligations under Regulations 13(1) and 13(7) of the AML Regulations was devoid of merit and was contradicted by the findings contained in paragraphs 3(e) and 6(v) of the Impugned order.
15. The Respondent further submitted that the Appellant's assertions regarding compliance with Regulations 6(3)(c), 13(1) and 13(3) relating to CDD and source of income verification were not borne out from the record and were specifically dealt with in paragraphs 3(f) and 6(vi) of the Impugned Order. The Respondent further submitted that the Appellant's challenge to the findings recorded under Regulation 6(4) of the AML Regulations relating to NADRA *Verisys* of customer identity documents was equally misplaced and was supported by paragraphs 3(g) and 6(vii) of the Impugned Order.
16. The Respondent further submitted that the Appellant had itself admitted certain violations which corroborated the findings recorded in the Impugned Order. The Respondent further submitted that the Impugned Order was a speaking order, passed after due application of mind and in accordance with law.
17. The Appellate Bench (the "Bench") has heard the arguments of both the parties and perused the record. The Bench observes that the primary contention of the Appellant has been that the Respondent failed to properly appreciate, analyze and adjudicate upon the explanations, documents and supporting material furnished by the Appellant in rebuttal of the alleged contraventions. The Appellant has maintained that substantial documentary evidence demonstrating compliance with the AML Regulations had been furnished to the Respondent, but the same was either ignored or not meaningfully discussed in the Impugned Order. It is, therefore, necessary to examine whether the Impugned Order satisfies the legal requirements of a reasoned and speaking order in respect of each material controversy raised before the Respondent.



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18. So far as the findings recorded under Regulation 4(a) of the AML Regulations relating to alleged deficiencies in the AML/CFT Policies and Procedures and the consequential findings under Regulation 18(c)(iii) are concerned, the record reflects that the Appellant had specifically contended that, subsequent to the issuance of the NRA, its AML/CFT Policy was duly revised and approved by the Board of Directors on December 23, 2019, i.e., prior to the date of Inspection order and the same was duly submitted to the JIT in response to the LOF along with detailed page-wise references addressing each observation raised by the JIT. However, the Bench observes that the Impugned Order neither demonstrates that the revised policy framework and supporting material furnished by the Appellant were meaningfully examined by the Respondent nor identifies the specific deficiencies which allegedly continued to persist despite such submissions. The findings recorded therein remain largely cursory in nature and do not disclose any analytical assessment of the documentary material relied upon by the Appellant. The Hon'ble Supreme Court of Pakistan in case titled "**Mst. Sabahat Idrees and another v. Mst. Clare Benedicta Conville and 4 others**" reported as **PLJ 2007 Lahore 1024**, decided that an order which fails to discuss material issues and disclose reasons demonstrating application of mind cannot be regarded as a valid speaking order. Relevant paragraphs of the judgment are reproduced for ease of reference:

"14... The learned trial Court by simply writing down that learned counsel for the plaintiffs fails to rebut the arguments, proceeded to decide the issues against the appellants-plaintiffs, is not a conscious effort on the part of learned trial Court, as he is required under the law.

...
17. It is a settled principle of law that a Court is required to give its own reasons by discussing the facts and the evidence on record for pronouncing a judgment and if the Court fails to give its own reasons, it would be deemed, that the Court had acted with material irregularity and illegality and in that eventuality, the decision or the judgment given by the Court would not be sustained in the eye of law."

Consequently, the findings recorded under Regulation 4(a) and the consequential findings under Regulation 18(c)(iii) cannot be regarded as findings based upon proper adjudication of the material available on record.

19. Regarding alleged violations relating to expired CNICs, generation of alerts, maintenance of updated customer identification information, EDD and senior management approvals



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under Regulations 6(4), 13(3), 9(3), 9(4)(a) and Note (iv) to Annexure-I of the AML Regulations are concerned, the Appellant had specifically contended that operational systems for monitoring CNIC expiry through SSS and CDS were already in place and that expiry reports generated through such systems had been furnished during the proceedings. The Appellant had further asserted that no account had been opened on the basis of expired CNICs or NADRA receipt/token and that EDD forms containing requisite senior management approvals had already been placed on record through responses dated May 21, 2020 and October 09, 2020. The Bench observes that the Impugned Order neither evaluates the evidentiary worth of the reports and EDD forms allegedly furnished by the Appellant nor records any cogent reasons explaining why such material was considered insufficient, unreliable or non-compliant with the AML Regulations. The Respondent merely reproduced conclusions without analytical examination of the documentary material relied upon by the Appellant. The Hon'ble Supreme Court of Pakistan in the case titled "**Muhammad Iqbal Chaudhry and another v. Secretary, Ministry of Industries and Production, Government of Pakistan and others**" reported as **PLD 2004 SC 413** decided that such non-adjudication of material factual controversies is contrary to the principles of fairness. Relevant paragraphs of the judgment are reproduced below for ease of reference:

"3. It may be noted that the forums seized with the judicial matters are required to pass such a speaking judgment that it should give an impression to readers that the legal and factual aspects of the case which were raised before it for the purpose of decision have been considered and decided in the light of recognized principles of law on the subject instead of disposing of in slipshod manner.

4. We have noted with great concern that in instant cases although the pleadings of the parties had been reproduced through and through but the contentions of the parties and the points on which they were resting their cases were not taken into consideration at all."

20. Similarly, with regard to the findings recorded under Regulations 13(1), 13(7), 6(3)(c) and 6(4) of the AML Regulations relating to periodic screening, CDD, source of income verification and NADRA *Verisys*, the Bench observes that the Impugned Order does not meaningfully address the factual controversies raised during the proceedings nor does it contain any analytical assessment of the documentary material forming basis of such findings. The order merely records conclusions without disclosing adequate reasoning

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demonstrating conscious application of mind to the material available on record. The Impugned Order further fails to explain the basis upon which the Respondent arrived at its conclusions or the reasons for rejecting the explanations and material furnished during the proceedings. The Hon'ble Lahore High Court in case titled "*Messrs Poly Pack Ltd. v. Customs and Central Excise Appellate Tribunal and others*" reported as *2005 PTD 2566* decided that an order which neither discusses the material issues involved nor assigns reasons in support of its conclusions cannot sustain judicial scrutiny, as absence of reasons deprives the appellate forum of meaningful review and vitiates the order. For ease of reference relevant paragraph of the judgment is reproduced hereunder:

"4. Hon'ble Supreme Court of Pakistan has time and again disapproved passing of such perfunctory orders. It is settled law that "judicial order" must be speaking order manifesting by itself that the Court has applied its judicial mind to the issues and points of controversy involved in the causes. In any case the impugned judgment, which is not a speaking order and devoid of reasons is not sustainable in law being in contravention of law declared by the Supreme Court of Pakistan in various cases ..."

21. It is a settled and well-established principle of law that judicial and quasi-judicial authorities are under a mandatory legal obligation to pass reasoned and speaking orders dealing with all material factual and legal controversies raised before them. Recording of reasons is not a mere procedural formality, rather, it constitutes the very foundation of lawful adjudication and serves as a manifestation of conscious and independent application of mind by the adjudicating authority to the issues involved in the matter. A speaking order must manifest on face of it that the authority has examined the submissions of the parties, evaluated the material and documentary evidence placed before it, identified the controversies requiring determination and assigned reasons for accepting or rejecting the respective contentions. The requirement of recording reasons is intrinsically linked with the principles of fairness, transparency and due process and also enables the appellate forum to effectively examine the legality and propriety of the determination under challenge.
22. The Bench observes that the Impugned Order does not disclose adequate reasoning for the conclusions reached therein and fails to demonstrate conscious and independent application of mind to the factual controversies and documentary material placed on record during the proceedings. The findings recorded by the Respondent are largely cursory in nature and do

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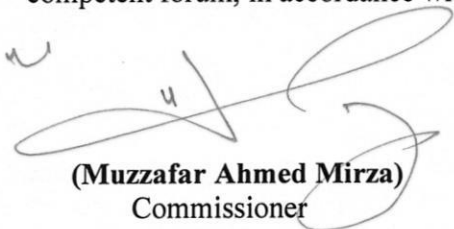


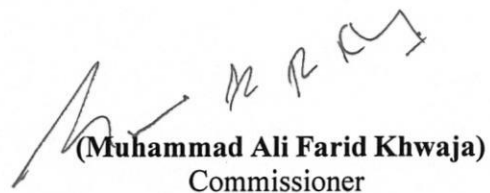
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not reveal the basis upon which the explanations and evidence furnished by the Appellant were rejected. It is a settled principle of law that a judicial or quasi-judicial order must itself manifest that the adjudicating authority has properly examined the issues involved and has assigned clear reasons in support of its conclusions, for absence of reasons deprives the appellate forum of meaningful judicial review and vitiates the order itself. It is, therefore, the legal duty of the adjudicating authority to thoroughly determine all disputed questions of fact and law arising in the matter and thereafter record reasoned findings thereon. In case titled "*Muhammad Ibrahim Khan v. Secretary, Ministry of Labour and Others*" reported as *1984 SCMR 1014*, the Hon'ble Supreme Court held that it is the obligation of the adjudicatory forum to decide all questions of fact and law raised before it and that disputed controversies ought to be determined in the first instance by the competent forum itself through a proper speaking order. The Hon'ble Supreme Court further reiterated that where substantial questions of fact and law are raised, it is the duty of the adjudicating authority to state the precise controversy involved and the grounds upon which such controversy has been accepted or rejected. The Impugned Order, in the present case, falls short of the aforesaid settled legal standards.

23. In view of the foregoing, the Appeal is allowed and the Impugned Order is set aside, with no further orders as to costs. However, the Appellant is directed to ensure strict compliance with the applicable provisions of the AML Regulations in letter and spirit in future, and to maintain an effective and continuously updated AML/CFT compliance framework at all times in accordance with law.

24. Any person or party aggrieved by this Order may, within thirty (30) days from the date hereof, file a Review under section 32B(2), or within sixty (60) days prefer an Appeal under section 34, of the Securities and Exchange Commission of Pakistan Act, 1997 before the competent forum, in accordance with law.


(Muzaffar Ahmed Mirza)
Commissioner


(Muhammad Ali Farid Khwaja)
Commissioner

Announced on: 09 JUN 2026