



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 23 of 2020

Oriental Securities (Pvt.) Limited Limited

Appellant

Versus

Executive Director Adjudication-I

Respondent

Date of hearing:

May 5, 2024

Present:

For the Appellant:

Mr. Bashrat Ullah Khan, CEO

For the Respondent:

1. Mr. Mahboob Ahmed, Additional Director, Adjudication-I, SECP
2. Mr. Muhammad Akram, Assistant Director, Adjudication-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 23 of 2020 filed by Oriental Securities (Pvt.) Limited (the Appellant) against the Order dated March 10, 2020 (Impugned Order) passed by the Executive Director, Adjudication Department-1, SECP (the Respondent).
2. The brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange (PSX) and is licensed as a securities broker with the Securities and Exchange Commission of Pakistan (the Commission). The onsite inspection of the Respondent was conducted by the Commission to ascertain compliance with the requirements contained in the Anti-



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Money Laundering and Counter Financing of Terrorism Regulations, 2018 (the AML Regulations).

The inspection revealed the following non-compliances of the AML Regulations:

- i. In violation of Regulation 4(a) and Regulation 13(7) the Appellant failed to maintain a database of beneficial owners of clients and did not have a screening mechanism for authorized person. The Appellant could not provide evidence substantiating existence of such a database at the time of inspection.
 - ii. In violation of Regulation 7(1)(b) of the AML Regulations, the Appellant failed to obtain and validate CNICs of two directors of its corporate customer.
 - iii. In violation of Regulation 6(4), the Appellant failed to validate the identity documents of clients from NADRA Verisys.
3. In view of the above violations, the Respondent issued the show-cause notice dated January 15, 2020 (the SCN) to the Appellant. The Appellant submitted a written reply to the SCN vide letter dated January 23, 2020 and hearing in the matter was held on January 28, 2020. The Respondent concluded the SCN proceedings and imposed a penalty of Rs. 250,000/- on the Appellant.
4. The Appellant filed this Appeal *inter alia* on the grounds that the Respondent wrongly observed that it had failed to comply with the requirements of the AML Regulations. The Appellant has taken the plea that the Impugned Order is based on mere procedural lapses and some of the observations were even duly rectified by the Appellant. The Appellant further contended that NADRA Verisys facility was not available at the relevant time and it had no access to the NADRA system and it was offered to the Appellant after a request was made by the Commission.
5. The Respondent rebutted the Appellants' grounds of appeal and stated that the AML Regulations' requirements had been violated by the Appellant. The Respondent stated that the Appellant failed to validate the identity documents of its customers through NADRA Verisys. The Respondent further stated that the Appellant failed to provide evidence that it had an adequate ongoing monitoring and screening mechanism of its clients.

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6. The Appellate Bench (the Bench) has heard the parties and perused the record. The Bench is of the view that the Appellant's assertions are insignificant to challenge the findings of the Impugned Order because the Appellant failed to prove that it had an adequate and appropriate mechanism of screening and monitoring. The Bench has no doubt that ongoing monitoring and customer verification are core to the AML Regulations and are necessary to combat money laundering activities in Pakistan. Furthermore, it was obligatory for the Appellant to ensure a thorough ongoing monitoring mechanism of its clients. However, the Bench believes that keeping in view the severity of the violations, the quantum of penalty is on the high side. Furthermore, the NADRA Verisys facility was also not available at the relevant time and it was offered subsequently by NADRA. In view thereof, the Bench is inclined to reduce the amount of the penalty imposed on the Appellant. The Bench expects that the Appellant would fully comply with the requirements of the AML Regulations in the future.
7. In view of the foregoing, the Bench, considers it justified to reduce the penalty to Rs. 100,000/-. Accordingly, the instant Appeal is disposed of on above terms without any order as to costs.

(Abdul Rehman Warriach)
Commissioner

(Mujtaba Ahmed Lodhi)
Commissioner

Announced on: 19 AUG 2024