



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 25 of 2023

Dawood Equities Limited

Appellant

Versus

Director -Adjudication-I

Respondent

Date of hearing:

May 29, 2025

### Present:

For the Appellant:

Mr. Wajahat Syed, Compliance Officer

Mr. Hassan Ovais, Legal Counsel

For the Respondent:

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

### ORDER

1. This Order shall dispose of Appeal No. 25 of 2023 filed by Dawood Equities Limited (the Appellant) against the Order dated May 24, 2022 (Impugned Order) passed by the Head of Department (Adjudication Department – 1).



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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 inspection of the Appellant was conducted by the Commission to ascertain compliance with the requirements contained in the Anti-Money Laundering and Counter Financing of Terrorism Regulations, 2018 (the AML and CFT Regulations). The inspection revealed the following non-compliance of the AML and CFT Regulations:

- i. contravention of **Regulation 4(a)** of the AML Regulations. The Compliance Officer was also found in breach of **Regulations 18(c)(ii)** and **18(c)(iii)** for failing to provide a comprehensive AML/CFT framework during the inspection. In violation of Regulation 6(3)(c) of the AML and CFT Regulations, the Appellant failed to change the status of client as a retired person despite the availability of proof of the clients retirement.
- ii. contravention of **Note (i) of Annexure-1 to Regulation 6(4)** of the AML Regulations for failing to validate CNICs/NICOPs of clients and related parties at the time of inspection. Required NADRA Verisys evidence was not provided during the inspection.
- iii. contravention of **Regulations 4(c) and 6(8)** of the AML Regulations for incorrect risk categorization and failure to apply Enhanced Due Diligence (EDD) to clients from high-risk jurisdictions.
- iv. contravention of **Regulation 6(3)(c)** of the AML Regulations for failing to satisfactorily verify the source of income/funds for four clients, as required under the KYC/CDD process.
- v. contravention of **Regulation 6(8)** of the AML Regulations for incorrectly categorizing a non-resident Pakistani as 'low-risk', despite evidence indicating 'high-risk' indicators. No justification was provided for the risk rating.



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- vi. contravention of **Regulation 7(1)(b)** of the AML Regulations for incomplete KYC/CDD documentation, including missing details of directors/beneficial owners and lack of source of funds evidence for directors in two corporate clients.
3. In view of the above violations, the Respondent issued the show-cause notice dated August 02, 2021 (the SCN) to the Appellant. The Appellant submitted a written reply to the SCN vide letter dated September 15, 2021 and hearing in the matter was held on November 22, 2021. The Respondent concluded the SCN proceedings and imposed a penalty of Rs. 350,000/- on the Appellant.
4. The Appellant submits that the Impugned Order is contrary to the principles of equity and the settled doctrine of estoppel, as enshrined in established jurisprudence, given that the SCN was issued without due consideration of the Appellant's prior responses and the documentary evidence submitted pursuant to the inspection findings. The Appellant duly complied with procedural requirements by timely furnishing comprehensive replies and supporting documentation, including the AML/CFT Policy, which were acknowledged as received by the Respondent. Issuance of the SCN under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997, without reviewing these submissions, constitutes a violation of the principles of natural justice (*audi alteram partem*) and procedural fairness, as underscored in landmark decisions such as *PLD 1991 SC 1260* (Messrs. Zamir and Sons Ltd. v. Collector of Customs) and *PLD 1973 SC 49* (Federation of Pakistan v. Maulvi Tamizuddin Khan). Furthermore, the Appellant has fulfilled the requirements of the Anti-Money Laundering and Countering Financing of Terrorism Regulations, 2018, specifically Regulation 13(7), as evidenced by the documentary proof provided at various stages. In light of the foregoing, the SCN is liable to be withdrawn, as the proceedings initiated are unsustainable in law and devoid of merit.



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5. The Respondent submits that the Appellant's grounds of appeal are without merit, as the facts clearly establish a breach of the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Regulations. The Impugned Order has been rightly passed after a meticulous examination of the facts and submissions, conclusively establishing the Appellant's violations of the AML Regulations. The Order comprehensively addresses both written and oral submissions made during the proceedings and correctly finds the Appellant in default based on the inspection report and the revised AML/CFT Policy. The Appellant's admission regarding classification of high-risk clients is duly noted; however, the failure to undertake Enhanced Due Diligence as mandated under the applicable regulations constitutes a clear contravention. Furthermore, despite the Appellant's claim of an unforeseen fire incident, the absence of requisite documentary evidence during inspection substantiates non-compliance with procedural requirements. The Order also judicially confirms lapses in KYC and customer due diligence processes. In light of the foregoing, the Impugned Order validly and lawfully upholds the Appellant's non-compliance with the AML framework and warrants no interference.
  
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. Therefore, the Bench is of the view that given the seriousness of the violations, the quantum of the penalty is justified and proportionate. While the Appellant may not have acted with malicious intent, non-compliance with AML and CFT Regulations, even if subsequently rectified, cannot be taken lightly. The early stage of the Appellant's operations does not excuse the lapses, especially in a regulatory framework that prioritizes financial integrity and security. A substantial penalty serves not only as a deterrent but also reinforces the importance of strict adherence to



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compliance requirements from the outset. In light of the above, the Bench finds no reason to interfere with the penalty imposed and expects the Appellant to demonstrate consistent and proactive compliance with AML/CFT Regulations going forward.

7. In view of the foregoing, the Bench finds no reason to interfere in the Impugned Order. Therefore, the instant Appeal is **dismissed** without any order as to costs.

(Abdul Rehman Warraich)

Commissioner

(Muzzafar Ahmed Mirza)

Commissioner

Announced on:

20 OCT 2025