



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 32 of 2020

Habib Metropolitan Financial Services Limited

...Appellant

Versus

Commissioner Securities Market Division

...Respondent

Date of hearing:

June 06, 2024

Present:

For the Appellant:

1. Mr. Ather Husain Medina, Chief Executive Officer
2. Mr. Mateen, Head of Compliance

For the Respondent:

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

Handwritten signatures: 301 and ML



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ORDER

1. This Order shall dispose of Appeal No. 32 of 2020 filed by Habib Metropolitan Financial Services Limited (the “Appellant”) through the Chief Executive Officer (the “Authorized Representative”) under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the “SECP Act”) against the Order dated March 20, 2020 (the “Impugned Order”) passed by the Commissioner, Securities Market Division (the “Respondent”) under Section 40A of the SECP Act read with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the “Regulations”) and Securities Brokers (Licensing and Operations) Regulations, 2016.
2. The brief facts of the case are that the Appellant is a trading rights entitlement certification holder of the Pakistan Stock Exchange Limited (the “PSX”). The Securities and Exchange Commission of Pakistan (the “Commission”) conducted a thematic review of the Appellant to assess the compliance of the Appellant with the Regulations. During the inspection a number of instances were observed where the Appellant had failed to comply with the applicable provisions of the Regulations including Regulations 4, 4(a), 5, 6(12), 6(5)(a), 6(8), 9(4), 13(1), 13(3), 13(7), 14(5), 14(6), 18(c)(iii) and 20(b). In light of these violations, the Show-Cause Notice dated October 25, 2019 (the “SCN”), was issued to the Appellant. The Appellant responded on November 01, 2019, and the hearing was held on November 05, 2019. After examining the submissions and considering the facts, the Respondent, in exercise of powers conferred under Section 40A of the SECP Act, imposed a penalty of Rs. 350,000/- on the Appellant for the aforementioned contraventions of the Regulations.
3. The Appellant has preferred this Appeal, *inter alia*, on the grounds that at the time of the thematic review the internal audit of the Appellant was being performed by Habib Metropolitan Bank (the “Bank”) as the Appellant is the subsidiary of the Bank. However, the Appellant stated that now the Appellant has maintained its own internal audit function. The Appellant during the course of arguments has admitted that there were non-compliances at the time of the thematic review of the company, however, the Appellant stated that subsequent to the inspection, best efforts have been made to comply with the relevant regulations and the Appellant has amended its policies as per the requirement of the Regulations, which is also evident from the subsequent inspection of the Appellant company. The



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Appellant further prayed that a lenient view may kindly be taken by Bench while duly considering the aforementioned contextual factors.

4. The Respondent countered the grounds of the Appeal and proffered arguments delineating that violations of the Regulations were manifestly discernible during the course of the inspection. Specifically, the Respondent highlighted instances where the Appellant did not have an internal audit function. Furthermore, the Respondent has stated that the Appellant has acceded to the non-compliances at the time of the inspection. Conclusively, the Respondent reemphasized on the observed violations of the Regulations by the Appellant during the course of the inspection, establishing the Appellant's pecuniary penalties in accordance with the legal framework.
5. The Bench has heard the arguments of both the parties and perused the record. The Bench is of the opinion that the Appellant had an obligation to adhere to the relevant requirements of the Regulations which should have been followed by the Appellant in true letter and spirit. In this particular case, the bench has observed that the Appellant did not follow the internal audit function's requirement as laid down in the regulations. However, the Bench is of the view that the Appellant has made relevant efforts to comply with the regulations subsequent to the inspection, and such efforts transpire to show the bonafide intention of the Appellant. The Bench is hopeful that in future the Appellant will be highly vigilant in adhering to the AML laws. The Bench has also observed that the Appellant has made efforts to rectify the non-compliances and is striving to adhere to the Regulations.
6. In view of the foregoing, the Bench, considers it justified to reduce the penalty to Rs. 250,000/-. The instant Appeal is disposed of on above terms without any order as to costs.

(Abdul Rehman Warrach)

Commissioner

(Mujtaba Ahmad Lodhi)

Commissioner

Announced on: 04 JUL 2024