



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 33 of 2020

Habib Metropolitan Financial Services Limited

...Appellant

Versus

Executive Director, Adjudication Department-I

...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

Mr. 



Securities and Exchange Commission of Pakistan

ORDER

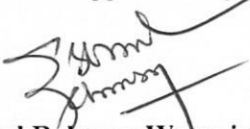
1. This Order shall dispose of Appeal No. 33 of 2020 filed by Habib Metropolitan Financial Services Limited (the “Appellant”) through the Chief Executive Officer (the “Authorized Representative”) under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the “SECP Act”) against the Order dated March 20, 2020 (the “Impugned Order”) passed by the Executive Director, Adjudication 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 an onsite inspection 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(a), 6(3)(c), 6(4), 6(5)(a), 6(8), 13(7). In light of these violations, the Show-Cause Notice dated January 15, 2020 (the “SCN”), was issued to the Appellant. The Appellant responded on January 16, 2020, and the hearing was held on January 28, 2020. 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. 475,000/- on the Appellant for the aforementioned contraventions of the Regulations.
3. The Appellant has preferred this Appeal, *inter alia*, on the grounds that the Appellant, contrary to the allegations, does maintain data on authorized persons, beneficial owners, board of directors, trustees, and office bearers of their customers and also screens accounts of joint holders, nominees, and representatives, claiming that this minimizes the risk of any direct or indirect relationships with proscribed persons. The Appellant also stated that the NADRA Verysis system was not available to them, as it was not provided by NADRA, which was beyond their control. The Appellant further stated that while they had requested CDD/KYC documents from customers, there were delays in obtaining these documents. However, through continuous efforts, the Appellant eventually secured all the

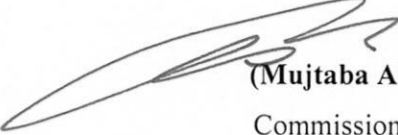


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required documents. The Appellant emphasized that they did not violate any law or regulatory framework, attributing the issue to a procedural lapse on their part. The Appellant further prayed that a lenient view may kindly be taken by Bench while duly 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 provide sufficient document/ evidence to prove its stance. Furthermore, the Respondent has stated that the Appellant has acceded to the non-compliances at the time of the inspection. Conclusively, the Respondent reemphasized 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 regulatory framework at the stipulated time. 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 Warraich)
Commissioner


(Mujtaba Ahmad Lodhi)
Commissioner

Announced on: 12 JUL 2024