



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 36 of 2022

Bhayani Securities (Private) Limited

..... Appellant

versus

Director/HoD, Adjudication-I, SECP

..... Respondent

Date of Hearing:

May 13, 2026

Present:

For the Appellant:

1. Muhammad Ali Sheikh, Authorized Representative
2. Muhammad Abbas Bhayani, Authorized Representative

For the Respondent:

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

ORDER

1. This Order shall dispose of Appeal No. 36 of 2022 filed by Bhayani Securities (Private) Limited (the "Appellant"), against the Order dated May 12, 2022 (the "Impugned Order"), passed by the Director/HoD, Adjudication-I, SECP (the "Respondent"), under Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (the "AML Act") read with Rule 6(1) of the AML/CFT Sanction Rules, 2020 (the "AML Rules") and Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the

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Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 (the “AML Regulations”).

2. Brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange Limited (“PSX”) and is licensed as a securities broker by the Securities and Exchange Commission of Pakistan (“SECP”). A Joint Inspection Team (“JIT”), comprising officers of PSX, Central Depository Company of Pakistan Limited (“CDC”) and National Clearing Company of Pakistan Limited (“NCCPL”), conducted an inspection of the Appellant pursuant to the inspection notice dated January 1, 2021 covering the review period from October 1, 2020 to December 31, 2020 in order to assess the compliance status of the Appellant with the AML Regulations. The inspection revealed, *prima facie*, that the Appellant had committed certain violations of the AML Regulations, including failure to demonstrate compliance with clause D of SRO 920(I)/2020 regarding submission of compliance reports relating to sanctions/proscribed persons; deficiencies in AML/CFT policies and procedures in contravention of Regulations 5(a), 27(1)(a) and 27(2)(c)(i) and (ii) of the AML Regulations; and failure to obtain adequate evidence regarding source of income/funds, risk categorization and beneficial ownership of certain clients in violation of Regulations 8, 9(b) and 11 read with Note to Annexure-I of the AML Regulations.

3. In view of the aforesaid observations, the Respondent issued a show-cause notice (the “SCN”) to the Appellant. The Appellant submitted its written reply dated January 18, 2022 and contended that compliance reports under SRO 920(I)/2020 had been submitted within the stipulated time; that AML/CFT policies and procedures had already been provided to the inspection team and the Appellant was compliant with the AML Regulations; and that documents relating to source of income, business details and tax returns of the relevant clients had already been submitted. Hearing in the matter was conducted on April 26, 2022, wherein the authorized representatives reiterated the submissions advanced in the written response. Consequently, the Respondent concluded that violations of Regulations 5(a), 27(1)(a), 27(2)(c)(i) and (ii), 8, 9(b) and 11 read with Note to Annexure-I of the AML Regulations stood established and, in exercise of powers conferred under Section 6A(2)(h) of the AML Act, imposed a penalty of Rs. 470,000/- upon the Appellant.



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4. The Appellant has preferred the instant Appeal, *inter alia*, on the grounds that the Impugned Order had been passed without proper appreciation of the facts and material placed on record and in disregard of the explanations furnished in response to the SCN. The Appellant submitted that detailed replies and supporting documents had been provided during the inspection proceedings as well as in the written response, however, the same were not duly considered by the Respondent while passing the Impugned Order. It was further contended that the findings recorded in the Impugned Order were merely a reiteration of the allegations contained in the show-cause notice and did not reflect independent consideration of the Appellant's submissions.

5. The Appellant further contended that it had not committed any violation relating to submission of compliance reports under SRO 920(I)/2020 and that the relevant documents and records had been maintained and were also shown to the inspection team during the course of inspection. The Appellant submitted that its AML/CFT policies and procedures were duly implemented and periodically updated in accordance with regulatory requirements and that any delay in updating certain policies could not be construed to mean that the policies had neither been adopted nor implemented. The Appellant also argued that it remained compliant with the applicable AML/CFT framework, including regulations, guidelines, circulars, notifications and national risk assessment requirements.

6. The Appellant also submitted that documentary evidence relating to source of income/funds, beneficial ownership and risk categorization of clients had been provided during the inspection process and that the relevant clients had been categorized through an internal risk categorization matrix on the basis of KYC information and due diligence conducted by the Appellant. It was contended that the clients in question were old and well-known clients of the Appellant and, according to the Appellant's own methodology, carried low ML/TF risk. The Appellant further argued that the observations raised by the inspection team had subsequently been addressed as an abundant precaution and without admission of liability. Lastly, the Appellant submitted that the penalty imposed through the Impugned Order was harsh, unjust and contrary to the principles of equity and natural justice and, therefore, liable to be set aside.

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7. In response to the submissions of the Appellant, the Respondent, *inter alia*, submitted that the Impugned Order is a speaking order, passed after providing ample opportunity of hearing to the Appellant and after due consideration of the submissions made by the Appellant, the material available on record and the relevant provisions of the AML Regulations. It was further submitted that the observations leading to issuance of the SCN were based upon deficiencies identified by the JIT during inspection and that the same remained unresolved despite the explanations furnished by the Appellant.
8. The Respondent further contended that the Appellant had failed to provide evidence regarding submission of compliance reports under clause D of SRO 920(I)/2020 at the time of inspection and that the said deficiency had specifically been discussed in paragraph 7(i) of the Impugned Order. The Respondent also submitted that the AML/CFT policy shared by the Appellant was reviewed by the inspection team and deficiencies therein were duly identified, including non-coverage of Targeted Financial Sanctions (“TFS”) obligations as required under the AML Regulations. It was argued that the observations highlighted in the SCN were based on the review conducted by the inspection team and the material placed before the Respondent.
9. The Respondent also argued that although the Appellant had submitted certain documentary evidence relating to source of income/funds, risk categorization and beneficial ownership of eleven clients, the same was not found satisfactory by the inspection team due to deficiencies in verification of source of income/funds and identification of ownership. The Respondent maintained that the Impugned Order had been passed strictly in accordance with the applicable provisions of the AML law and after due consideration of the facts and merits of the case. Accordingly, the Respondent submitted that the penalty imposed upon the Appellant was lawful, justified and liable to be upheld.
10. The Appellate Bench (the “Bench”) has heard the arguments of both the parties and perused the record. The Bench notes, at the outset, that the Appellant, being a licensed securities broker, is under a continuing statutory obligation to comply with the AML Regulations, and compliance with such obligations is fundamental to the integrity, transparency, and stability of the capital market.



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11. The Bench notes that the inspection conducted by the JIT had identified deficiencies relating to submission of compliance reports under SRO 920(I)/2020, deficiencies in the Appellant's AML/CFT policy framework and shortcomings concerning documentary evidence relating to source of income/funds, risk categorization and beneficial ownership of certain clients. The Bench further notes that the said deficiencies were specifically communicated to the Appellant through the SCN and were duly considered by the Respondent while passing the Impugned Order.
12. The Bench observes that the Appellant was afforded adequate opportunity to furnish explanations and documentary evidence during the inspection as well as adjudication proceedings. However, the material available on record reflects that, at the relevant time, the Appellant had failed to provide satisfactory evidence regarding submission of compliance reports under SRO 920(I)/2020; its AML/CFT policy framework contained deficiencies, including non-coverage of TFS obligations; and the documentary evidence relating to source of income/funds, beneficial ownership and risk categorization of certain clients was not found satisfactory by the inspection team. The Bench, therefore, finds no illegality or infirmity in the Respondent's conclusion that violations stood established.
13. At the same time, the Bench observes that the Appellant subsequently rectified the identified deficiencies and took corrective measures to strengthen its compliance framework. The record reflects that the Appellant updated its AML/CFT policies and procedures and subsequently furnished the requisite documentation relating to source of income/funds, beneficial ownership and risk categorization of clients. The Bench notes that the primary objective of imposing penalties under the AML regulatory framework is to ensure compliance by regulated entities and to encourage implementation of effective AML/CFT controls.
14. Having considered the totality of the circumstances, the Bench is of the view that although the violations stand established and warrant regulatory action, the subsequent rectification of deficiencies by the Appellant constitutes a mitigating circumstance meriting reduction in penalty. Accordingly, while upholding the findings recorded in the Impugned Order, the penalty is reduced to Rs. 150,000/-.

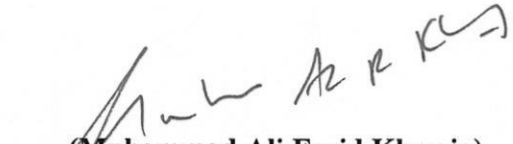
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15. Any person or party aggrieved by this Order may, within sixty (60) days from the date hereof, prefer an Appeal under Section 34 of the SECP Act, before the competent forum, strictly in accordance with law. Accordingly, the Appeal is disposed of in the above terms with no order as to costs.


(Muzzafar Ahmed Mirza)
Commissioner


(Muhammad Ali Farid Khwaja)
Commissioner

Announced on: 09 JUN 2026