



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 37 of 2020

Alpha Adhi Securities (Private) Limited

...Appellant

Versus

The Executive Director, Adjudication – 1

...Respondent

Date of hearing:

March 13th, 2025

Present:

For the Appellant:

1. Mr. Mohsin Adhi
2. Mr. Nadeem Usmani

For the Respondent:

1. Mr. Mubbashar Saeed Saddozai (Executive Director, Adjudication-I, SECP)
2. Mr. Mahboob Ahmed (Additional Director, Adjudication-I, SECP)
3. Mr. Hammad Ahmed (Management Executive, Adjudication-I, SECP)

ORDER

1. This Order shall dispose of Appeal No. 37 of 2020 filed by the Alpha Adhi Securities Limited (“the Appellant”) through Mohsin Adhi, (“the Authorized Representative”) under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (“the SECP Act”) against the Order dated March 9, 2020 (the “Impugned Order”) passed by the Executive Director (Adjudication-I) (“the Respondent”) under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (“the Act”).
2. The brief facts of the case are that the Respondent is a Trading Rights Entitlement Certificate (“TREC”) holder of the Pakistan Stock Exchange Limited (“PSX”) and licensed as a Securities Broker under the Securities Act, 2015. A thematic review (“the Review”) of the Appellant was conducted by the Joint Inspection Team of PSX (“the JIT”). The Review aimed to assess compliance of the Appellant with the Securities and Exchange Commission



Securities and Exchange Commission of Pakistan

of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 ("the AML Regulations"). The Review, *inter alia*, revealed several non-compliances wherein the Appellant had failed to comply with the applicable provisions, i.e. Regulations 4(a), 13(7), 6(3)(c), 13(1), 9(4), 13(3), 6(4) read with Note(i) Annexure-1, and 7(1) of the AML Regulations. Pursuant to the inspection a Show-Cause Notice ("the SCN") dated January 27, 2020 was issued to the Appellant. The Appellant vide its letter dated January 29, 2020 submitted a reply to the SCN and accordingly an opportunity of hearing was granted to the Appellant on February 12, 2020, which was attended by the Authorized Representative of the Appellant. After examining the submissions and considering the facts as stated by the Appellant, it was established that the Appellant not only failed to perform customer due diligence ("CDD"), enhanced due diligence ("EDD") and on-going monitoring, but also failed to conduct NADRA *Verisys*. Subsequently, the Respondent, in exercise of powers conferred under Section 40A of the Act imposed a penalty of Rs. 475,000/- (Rupees Four Hundred and Seventy-Five Thousand Only) on the Appellant for the aforementioned contraventions of the AML Regulations.

3. The Appellant has preferred this Appeal, *inter alia*, on the grounds that the Impugned Order lacks a proper appreciation of the facts or law. The Authorized Representative for the Appellant contended that in the Impugned Order the Appellant has been penalized by the Respondent, without duly acknowledging the efforts of the Appellant to ensure compliance with the AML Regulations. The Authorized Representative further submitted that the implementation of the AML Regulations was difficult since the Regulations were vague and that the relevant officer of the Appellant company was in the process of implementing and incorporating the AML Regulations with regard to the policies of the Company. Furthermore, the Authorized Representative submitted that the Respondent had failed to acknowledge the Appellants compliance with the AML Regulations subsequent to the observations being highlighted by the JIT, the evidence for which was provided to the Respondent at the time of the hearing. Pursuant to this submission, the Authorized Representative also submitted that the Respondent had admitted in the Impugned Order that the Appellant was in the process of rectifying defaults, and to a certain extent, some of the said defaults had been rectified. The Authorized Representative with regard to the Respondents contention about the NADRA *E-Sahulat* being acquired instead of the NADRA *Verisys* for the purposes of verification submitted that the access to *Verisys* was not being allowed to the brokers. Furthermore, the Authorized Representative highlighted



Securities and Exchange Commission of Pakistan

that one of the fundamental concepts of company law provides that in situations where a warning is sufficient then a lenient approach should be taken by the adjudication authority and a warning should only be given. Lastly, the Authorized Representative referred to a reported case titled (2018 CLD 1211) and requested the Bench to show graciousness and leniency in the matter. While concluding the arguments, the Appellant solicited the Bench ("the Bench") to set aside the Impugned Order and give any other relief that the Honourable Appellate Bench deems fit and appropriate, taking into consideration the aforementioned contextual factors.

4. The Respondent countered the grounds of the Appeal and proffered arguments. The Respondent emphasized that not only was the Impugned Order issued in strict accordance with the law but also after a thorough consideration of the facts presented in this case. The Respondent in response to the Appellant's contention with regard to the AML Regulations being "vague" submitted that the AML Regulations were "transparent" and if there was any such observation, then it should have been brought up before the Commission when comments and opinions from the stake holders were being considered. Furthermore, the Respondent admitted that the non-compliances of the AML Regulations were rectified by the Appellant but this was only after the observations were highlighted by the Inspection team as a remedial measure. Moreover, the Respondent submitted that the NADRA Verisys could not be substituted by *E-Sahulat* for verification of identity documents. And lastly, the Respondent stated that the factual circumstances of each case are different and one decision cannot be generalized for everyone. The Respondent submitted that the Impugned Order is fair and was passed after due consideration of the facts of the case and the established non-compliance of the AML Regulations by the Appellant. Lastly, the Respondent submitted the Impugned Order itself is a speaking Order and may kindly be upheld by the Bench.
5. The Bench has heard the arguments of both the parties and perused the record. The Bench is of the opinion that the Appellant was obligated to fully comply with the relevant AML Regulations, and that the Appellant not only failed to ensure ongoing monitoring for its clients but also failed to perform CDD and EDD for its clients. However, it is also noted that the Appellant did initiate the process to update its clients' profile, right after the observations were highlighted by the JIT. The Bench is hopeful that in future the Appellant will be highly vigilant in adhering to the AML Regulations. The Bench has also observed



Securities and Exchange Commission of Pakistan

that the Appellant has made efforts to rectify the non-compliances and is striving to adhere to the AML Regulations.

6. In view of the foregoing, the Bench, considers it justified to reduce the penalty to Rs.150,000/- (One Hundred and Fifty Thousand Rupees Only) with a direction to the Appellant to incorporate a policy that is fully compliant with the AML Regulations. 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:

02 JUL 2025