



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 04 of 2023

M/s. Integrated Equities Limited

...Appellant

Versus

Director (Adjudication – I), Adjudication Division

...Respondent

Date of hearing:

January 18, 2024

Present:

For the Appellant:

Mr. Imran Anjum Alvi, ASC

For the Respondent:

1. Mr. Hammad Javed, Additional Director, Adjudication-I, SECP
2. Mr. Raja Farukh Ahmad, Additional Joint Director, Adjudication- I, SECP
3. Mr. Muhmmad Faisal, Assistant Director, Adjudication-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 04 of 2023 filed by M/s. Integrated Equities Limited (the "Appellant") under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") against the order dated May 19, 2022 (the "Impugned Order") passed by the Director/Head of Department, Adjudication-I (the "Respondent") under the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism)



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Regulations, 2018 (the "Regulations") read with Section 6 (A)(2)(h) of the Anti-Money Laundering Act (the Act).

2. The brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited (PSX) and licensed as a securities broker with the Securities and Exchange Commission of Pakistan (the "Commission"). An inspection of the Appellant was conducted by the Joint Inspection Team (JIT) covering a review period of 03 months from October 01, 2020 to December 31, 2020, to assess the compliance of the Appellant with the Regulations. During inspection it was observed that the Appellant has failed to comply with regulation 11 of the Regulations which provides that a regulated person shall also identify the beneficial owner and take reasonable measures to verify the same. In light of this violation, a Show-Cause Notice dated March 28, 2022 (the "SCN"), was issued to the Appellant. The Appellant responded on April 11, 2022, and a hearing was scheduled for April 25, 2022. After examining the submissions and considering the facts, the Respondent, in exercise of powers conferred under Section 6 (A)(2)(h) of the Act, imposed a penalty of Rs. 20,000/- on the Appellant for the aforementioned contravention of the Regulations.
3. The Appellant has preferred this Appeal, *inter alia*, on the grounds that in the Impugned Order the Respondent has omitted to furnish any rationale for the imposition of a substantial penalty upon the Appellant. The Appellant argued that the Respondent's failure lies in their inability to recognize the Appellant's earnest endeavors to adhere to the Regulations, despite the Appellant's relatively diminutive portfolio. The Appellant has contended that the client was a medical student and the shares in her account were gifted to her by her father. The Appellant further added that it has performed requisite steps in conducting due diligence in verifying the beneficial ownership of the client's sub-account at the time of opening of the client's brokerage account. Furthermore, the Appellant submitted that during the hearing before the Respondent every relevant fact was revealed to the Respondent and every document was produced including the gift deed dated April 21, 2017. In light of the circumstances heretofore elucidated, the Appellant humbly requested the Bench to adopt a more lenient perspective, duly considering the aforementioned contextual factors.
4. The Respondent countered the grounds of the Appeal and proffered arguments, delineating that violation of the Regulations were manifestly discernible during the course of the inspection. Specifically, the Respondent highlighted the Appellant's failure to procure the requisite documentation



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pertaining to the beneficial owner of the client as the gift deed was not provided to the inspection team at the time of inspection. The Respondent further stated that the Appellant provided the gift deed subsequent to the SCN and no evidence was provided at the time of inspection. Conclusively, the Respondent reemphasized the veracity of the observed violations of the Regulations by the Appellant during the course of the inspection, thereby substantiating the Appellant's susceptibility to pecuniary penalties in accordance with the established legal framework

5. The Bench has heard the arguments of the parties and perused the record. The Bench is of the opinion that the Appellant was under an obligation to adhere to the relevant requirements of the Regulations which should have been followed by the Appellant in true letter and spirit. However, in this particular case, the Appellant had provided the gift deed to the Respondent, though after the inspection but during the SCN proceedings. The Bench has also noted that the client of the Appellant is the beneficial owner of the shares as she received the shares from her father as a gift in her account from her father's account. The Bench is also of the view that the Central Depository Company does not transfer shares without legitimate proof which in this case is the gift deed, which fact the Respondent should have taken into account before the imposition of the penalty.
6. In view of the foregoing, the Bench is convinced that there is apparently no impropriety on the face of the record. Accordingly, the Impugned Order is *set-aside* and the instant Appeal is accepted.

(Abdul Rehman Warraich)

Commissioner

Chairman/Commissioner

Announced on: 13 FEB 2024