



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 42 of 2020

Float Securities private Limited

Appellant

Versus

Commissioner (SMD)

Respondent

Date of hearing:

January 09, 2025

Present:

For the Appellant:

Mr. Imran Khalil Naseer, CEO

For the Respondent:

1. Mr. Sohail Qadri, Director/HOD, Adjudication-I, SECP
2. Mr. Muhammad Faisal, Assistant Director, Adjudication-I, SECP

## ORDER

1. This Order shall dispose of Appeal No. 42 of 2020 filed by Float Securities (Pvt.) Limited (the Appellant) against the Order dated April 21, 2020 (Impugned Order) passed by the Commissioner Securities Market Division , (the Respondent).
2. The brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange (PSX) and is licensed as a securities broker with the Securities and Exchange Commission of Pakistan (the Commission). The thematic Review of the Appellant was conducted by the Commission to ascertain compliance with the requirements contained in the Anti-

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Money Laundering and Counter Financing of Terrorism Regulations, 2018 (the AML and CFT Regulations). The inspection revealed the following non-compliance of the AML and CFT Regulations:

- i. In violation of Regulation 4(d) the Appellant failed to maintain an independent audit function and the Chief Compliance Officer and the Head of Internal Audit were the same individual, performing dual roles, which resulted in a violation due to the failure to maintain an independent audit function.
  - ii. In violation of Regulation 16(9)(e) of the AML and CFT Regulations, the Appellant failed to sufficiently cover all area provided in AML/CFT Guidelines to test its AML/CFT systems in its internal Report in the period January 01, 2018 to June 30, 2018.
  - iii. In violation of Regulation 18(c)(ii), the compliance officer of the Appellant failed to implement the internal policies and procedures with respect to aspects of AML and CFT Regulations and therefore, no such documents were submitted by the Appellant.
3. In view of the above violations, the Respondent issued the show-cause notice dated October 25, 2019 (the SCN) to the Appellant. The Appellant submitted a written reply to the SCN vide letter dated October 29, 2019 and hearing in the matter was held on November 06, 2019. The Respondent concluded the SCN proceedings and imposed a penalty of Rs. 200,000/- on the Appellant.
4. The Appellant filed this Appeal on the grounds that the Respondent incorrectly determined that it had failed to comply with the requirements of the AML Regulations. The Appellant argued that the applicability of the Regulations was immediate, rather than retrospective. Additionally, the Impugned Order is based on minor procedural lapses, some of which had already been rectified and fully complied with by the Appellant. The Appellant further asserted that, being a small-sized firm with limited workforce, there is insufficient evidence to prove ongoing non-compliance. They emphasized that their intent has always been to fully adhere to and comply with all Regulations in both letter and spirit.



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5. The Respondent countered the Appellant's grounds of appeal, asserting that the Appellant had indeed violated the requirements of the AML and CFT Regulations. Specifically, the Respondent argued that the Appellant had failed to establish an independent audit system, which is a crucial component of ensuring compliance with the AML and CFT Regulations. Furthermore, the Respondent highlighted that the Appellant had not implemented the necessary internal policies and procedures to adequately address key aspects of AML and CFT regulations. These failures, according to the Respondent, contributed to the Appellant's non-compliance with the regulatory framework.
6. The Appellate Bench (the Bench) has heard the parties and perused the record. The Bench is of the view that the Appellant's assertions are insignificant to challenge the findings of the Impugned Order because the Appellant failed to establish an independent auditing system, which is essential for ensuring adherence to the AML and CFT Regulations. The bench is certain that having an internal audit system, along with a compliance officer to enforce internal policies and procedures related to the AML and CFT Regulations, is equally essential. However, the Bench believes that keeping in view the severity of the violations, the quantum of penalty is on the high side. Furthermore, the intention was not malicious, and the AML and CFT Regulations were subsequently complied with. The Appellant is however at a nascent stage and a hefty penalty might unreasonably burden the company financially and its intention has always been to ensure full compliance. The purpose of the fine is to cause a deterrent the enforce remedial action, and in this case even if the fine is reduced, the purpose will be served. In view thereof, the Bench is inclined to reduce the amount of the penalty imposed on the Appellant. The Bench expects that the Appellant would fully comply with the requirements of the AML/CFT Regulations in the future.
7. In view of the foregoing, the Bench, considers it justified to reduce the penalty to Rs. 100,000/-. Accordingly, the instant Appeal is disposed of on above terms without any order as to costs.

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(Abdul Rehman Warriach)  
Commissioner

(Mujtaba Ahmad Lodhi)  
Commissioner

Announced on:

**21 FEB 2025**