



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 45 of 2021

Brains Securities Private Limited

..... Appellant

versus

Executive Director - Adjudication Department-I, SECP

..... Respondent

Date of hearing:

April 22, 2026

Present:

For the Appellant:

1. Mr. Shafqat Ali, Authorized Representative
2. Ms. Hamna Nadeem, Compliance Officer

For the Respondent:

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

ORDER

1. This Order shall dispose of Appeal No. 45 of 2021 (the "Appeal") filed by Brains Securities (Private) Limited (the "Appellant") against the Order dated February 19, 2021 (the "Impugned Order"), passed by the Executive Director, Adjudication Department-I, Securities and Exchange Commission of Pakistan (the "Respondent"), under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act").



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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 is licensed as a securities broker under the Securities Act, 2015. The Broker Compliance Department (“BCD”) of the Securities and Exchange Commission of Pakistan (the “Commission”) conducted a review of cash transactions reported by the Appellant to PSX, to ascertain compliance with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the “AML Regulations”). The review revealed that on August 28, 2019, the Appellant received a significant cash amount of Rs. 2.6 million from one of its clients, Malik Zunair Javed (the “Customer”), who was working as a Director of an Exchange Company. The Appellant, however, failed to file a Cash Transaction Report (“CTR”) with the Financial Monitoring Unit (“FMU”) in violation of Regulation 14 of the AML Regulations, and ultimately filed the same on December 07, 2020, following BCD intervention, more than a year after the transaction. On October 01, 2019, the Central Depository Company of Pakistan Limited (“CDC”) informed the Appellant that the CDC Sub-Account of the said Customer had been blocked on the instructions of the Anti-Narcotics Force (the “ANF”) but the Appellant failed to file a Suspicious Transaction Report (“STR”) upon receipt of the CDC letter. The review also identified non-compliances with Regulations 4(a), 4(c), 6(3)(a), 6(4), 9(1), 9(4)(b) and 18(c)(ii) of the AML Regulations. These violations include deficiencies in AML/CFT policies and documentation, inadequate maintenance of Customer Due Diligence (“CDD”) records, failure to apply Enhanced Due Diligence (“EDD”) to the identified high-risk customer, absence of effective ML/TF risk assessment systems and controls, inability to verify the customer’s identity through NADRA *Verisys* and failure of the Compliance Officer to ensure the effective implementation of AML/CFT controls. Consequently, a Show-Cause Notice (the “SCN”) was issued to the Appellant and its Compliance Officer on January 1, 2021. After considering the written submissions and affording an opportunity of hearing on January 28, 2021, the Respondent passed the Impugned Order, imposing a monetary penalty of Rs. 875,000/- (Rupees Eight Hundred Seventy-Five Thousand) on the Appellant and a warning was issued to the Compliance Officer.



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3. The Appellant has preferred the instant Appeal, *inter alia*, on the grounds that the cash of Rs. 2.6 million was received in an emergency against a bounced cheque to meet the Customer's immediate settlement obligation with the National Clearing Company of Pakistan Limited ("NCCPL"), and that the said receipt was immediately reported to PSX on August 28, 2019, the very next day of its receipt on August 27, 2019, in compliance with Regulation 4.16 of the PSX Rule Book, reflecting transparency. It was contended as per Regulation 14 of the AML Regulations, the Regulated Person was required to report receipt of cash of Rs. 2 million and above to the FMU and the AML Department of the Commission within seven days, which was inadvertently missed by the Appellant, but none of the regulators highlighted such misreporting for more than one year and the matter of non-filing of CTR was triggered by BCD queries in November 2020, after considerable lapse of more than a year. The Appellant further contended that cognizance taken by the Commission on January 1, 2021 in respect of a transaction dated August 28, 2019 was time-barred and liable to be reviewed under the First Schedule of the Limitation Act No. IX of 1908, and further argued that the emergent nature of the transaction rendered Regulation 9(4) of the AML Regulations inapplicable, while enhanced due diligence under Regulation 4(c) of the AML Regulations was also not required as the Customer was not categorized as 'high-risk' until after the CDC notification. The Appellant further contended that it did not consider the transaction as suspicious, and that the Compliance Officer, while exercising professional judgment in good faith, did not file the STR, particularly as the matter had already been addressed by CDC by blocking the securities of the Customer on the instructions of ANF, rendering filing of STR by the Appellant as duplicative compliance.

4. With respect to violations of Regulations 6(3)(a), 6(4), 9(1) and 9(4)(b) of the AML Regulations, the Appellant contended that appropriate due diligence measures were undertaken and after the CDC notification the account was marked inactive and updated financial information of the Customer was obtained. It was further submitted that prior to August 2019, the Customer's trading pattern did not indicate elevated ML/TF risk. As regards Regulation 6(4) of the AML Regulations, it was submitted that biometric verification through NADRA *Verisys* was not feasible due to lack of access for brokers. Regarding non-



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compliance with Regulations 4(a), 4(c) and 18(c)(ii) of the AML Regulations, the Appellant submitted that AML/CFT policies and procedures were duly developed and approved by the Board of Directors on July 15, 2020 and were implemented by the Compliance Officer. The Appellant accordingly prayed that the Impugned Order be set aside and that the Appellate Bench direct reinvestigation of lapses across relevant regulatory organizations.

5. The Respondent contested the grounds of the Appeal and submitted that the AML/CFT reporting obligations under the AML Regulations are mandatory which operate independently of, and in addition to, the PSX Rulebook and compliance with one regulatory regime does not absolve obligations under another. It was further submitted that the Appellant itself admitted the failure to file the CTR, describing it as an “inadvertent omission,” which constitutes an unequivocal admission of non-compliance. With regard to the non-filing of the STR, the Respondent contended that Regulation 14(6) of the AML Regulations expressly mandates that the basis for determining whether or not to file an STR must be duly documented and retained, whereas the Appellant failed to produce any record and instead relied on an unsubstantiated assertion of “exercise of judgment.” The Respondent further submitted that the Limitation Act, 1908 is inapplicable to adjudicatory proceedings under the SECP Act, and therefore the proceedings were validly initiated and lawfully concluded.
6. In respect of Regulations 4(a), 4(c), 6(3)(a), 6(4), 9(1) and 18(c)(ii) of the AML Regulations, the Respondent submitted that the Appellant failed to produce pre-existing documentary evidence relating to the Customer’s source of income, proof of business, and supporting CDD information at the relevant time, and that such documents were obtained only after the BCD review, evidencing non-compliance at the material time. It was further submitted that the Appellant failed to demonstrate any contemporaneous or documented justification for its risk assessment or internal compliance decision-making, thereby indicating deficiencies in its risk-based AML/CFT framework and absence of adequate pre-transaction due diligence and risk documentation. The Respondent contended that these deficiencies, coupled with the delayed filing of CTR and non-filing of STR, collectively demonstrated material weaknesses in the Appellant’s AML/CFT policies, controls, and their implementation. It was further submitted



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that despite the Customer's 'high-risk' status, the Appellant failed to apply EDD as required under Regulation 4(c) of the AML regulations, and such failure could not be justified on the basis that risk categorization was applied only after the CDC notification. In relation to Regulation 18(c)(ii) of the AML Regulations, it was contended that the Compliance Officer failed to ensure effective implementation of AML/CFT controls. As to Regulation 6(4) of the AML Regulations, the admitted unavailability of NADRA *Verisys* did not absolve the Appellant of its obligation to ensure proper identity verification through alternative compliant means, thereby constituting a regulatory breach. The Respondent accordingly prayed that the Impugned Order be upheld and the Appeal be dismissed.

7. The Appellate Bench ("the Bench") has carefully examined the record, heard the parties, and considered their written and oral submissions. The Bench observes at the outset that the AML/CFT regulatory framework constitutes a critical pillar of Pakistan's financial regulatory architecture, intended to detect, prevent, and deter money laundering and the financing of terrorism. The framework imposes mandatory, independent, and legally enforceable obligations upon regulated persons, and non-compliance with these obligations, regardless of the subjective good faith of the regulated person, strikes at the integrity of the entire compliance regime and must be viewed with appropriate gravity, particularly in proceedings under Section 40A of the SECP Act read with the AML Regulations. With regard to the non-filing and delayed filing of the CTR, the Bench notes that Regulation 14 of the AML Regulations mandates reporting of currency transactions exceeding the prescribed threshold to FMU. The Appellant's receipt of Rs. 2.6 million on August 28, 2019 clearly triggered this obligation, however, the CTR was filed after an inordinate delay on December 7, 2020, that too upon intervention by BCD. The Appellant's admission that the CTR was "inadvertently missed" constitutes an acknowledgment of non-compliance rather than a defence. The contention that reporting to PSX under its Rulebook sufficed to discharge AML obligations is untenable, as AML/CFT requirements operate independently and in parallel with exchange-level regulatory frameworks.



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8. With regard to the non-filing of the STR, the Bench finds that the CDC communication dated October 1, 2019, informing that the Customer's sub-account had been blocked on instructions of ANF, constituted information sufficient to trigger scrutiny under the AML regime. The Appellant's reliance on subjective satisfaction that no suspicion existed is insufficient in law. Regulation 14(6) of the AML Regulations expressly requires that the basis for deciding whether or not to file an STR must be contemporaneously documented and retained, however, no such documentation has been produced. A bare assertion of "exercise of judgment," unsupported by the underlying record, does not meet the regulatory threshold. The Bench holds that the Compliance Officer's mere subjective assessment that the transaction was not suspicious does not satisfy the legal standard required under the AML Regulations. Further, the argument that CDC action rendered STR filing redundant is misconceived, as each regulated person bears an independent statutory obligation to report suspicious transactions to FMU, and such obligation cannot be displaced by action taken by another authority. The Bench therefore concurs with the Respondent's finding that the non-filing of the STR constituted a contravention of Regulation 14(5) of the AML Regulations.
9. The Bench further holds that the Appellant's argument that CDC's blocking of the Customer's sub-account on ANF's instructions rendered a separate STR filing by the Appellant redundant is rejected. The AML Regulations impose independent and non-delegable obligations on each regulated person. The fact that CDC may have taken regulatory action pursuant to its own obligations does not extinguish or diminish the Appellant's separate and independent obligations as a regulated securities broker. The Bench emphasizes that the purpose of the STR regime is to ensure that the FMU receives information from all regulated persons who have direct knowledge of potentially suspicious activity, and this purpose would be fundamentally undermined if each regulated entity were permitted to excuse itself from its reporting obligation on the ground that another entity had already taken action. The Appellant's interpretation of the law is therefore, rejected as contrary to both the letter and the spirit of the AML Regulations.



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10. With respect to the other contraventions established under the Impugned Order, including violations of Regulations 4(a), 4(c), 6(3)(a), 9(1), 9(4)(b) and 18(c)(ii) of the AML Regulations, the Bench has examined the record and the submissions of the parties and finds the Respondent's conclusions to be well-reasoned and supported by evidence. The Bench observes that CDD obligations are proactive and must be fulfilled prior to or at the time of the relevant transaction. The Appellant's reliance on documents obtained only after the BCD review and CDC notification does not cure its failure to establish and document the Customer's source of funds and business profile at the material time, and the contention that such documents were procured in response to emerging doubt is unpersuasive. The Bench further finds that the Appellant's internal risk assessment under Regulation 9(1) of the AML Regulations was deficient, particularly in light of the Customer's 'high-risk' categorization at account opening, the substantial cash transaction, and the subsequent regulatory action by CDC on ANF instructions, which collectively highlight inadequacies in the Appellant's risk-based monitoring framework. The cumulative deficiencies, including delayed CTR and STR reporting, absence of timely CDD documentation, and failure to apply EDD measures commensurate with the Customer's risk profile, reflect material weaknesses in the Appellant's AML/CFT policies and their implementation. The Appellant's reliance on Board approval dated July 15, 2020 is misplaced, as the impugned transaction occurred in August, 2019 and no evidence has been produced to demonstrate that an effective AML/CFT framework was in place at the time. Accordingly, the Bench upholds the findings of contravention recorded by the Respondent in respect of the aforesaid provisions.
11. The contravention of Regulation 18(c)(ii) of the AML Regulations also stands established as a consequential failure arising from the Compliance Officer's inability to ensure effective implementation of the Appellant's AML/CFT controls, as evidenced by the failure to file the CTR and STR, the absence of contemporaneous CDD documentation, and the failure to apply EDD, which collectively establish that the Compliance Officer did not discharge the responsibilities assigned under the said Regulation. The Bench notes that the warning issued to the Compliance Officer by the Respondent under the Impugned Order is proportionate in the circumstances and is hereby confirmed. With respect to the violation of Regulation 6(4)



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of the AML Regulations, the Bench rejects the Appellant's contention that the non-availability of NADRA *Verisys* facilities excused its obligation to validate the Customer's identity documents. The obligation to ensure proper identity verification remains absolute and cannot be diluted by operational constraints. The Appellant has not demonstrated that any alternative measures were adopted to fulfil its identity verification obligations in the absence of *Verisys* access. The Bench therefore upholds the Respondent's finding of the above-mentioned contraventions and finds that the established defaults collectively reflect systemic weaknesses in the Appellant's AML/CFT governance framework.


12. Furthermore, the Bench rejects the Appellant's contention based on the Limitation Act, 1908. The said Act, as rightly submitted by the Respondent, *inter alia*, governs limitation periods for civil suits, appeals, and certain applications before courts of law. The adjudicatory proceedings under Section 40A of the SECP Act are administrative and regulatory in character, and are governed by the statutory framework of the SECP Act and the AML Regulations, not the Limitation Act, 1908. The Bench accordingly holds that the Limitation Act has no direct application to the cognizance taken by the Respondent of the alleged violation, as the Commission has the jurisdiction to initiate legal proceedings when a non-compliance is highlighted and that the Respondent acted within its lawful authority in initiating and concluding those proceedings.
13. In light of the foregoing, the Bench is of the considered view that the Impugned Order is well-founded in law and on facts. The violation of Regulation 14 of the AML Regulations, encompassing both the failure to file a CTR in a timely manner and the failure to file an STR upon receipt of credible information, is a serious breach of mandatory statutory obligations. Reporting obligations of this nature are central to Pakistan's anti-money laundering and counter-terrorism financing architecture, and their effective enforcement is essential to uphold the integrity of the financial system. The Bench therefore finds no basis to interfere with the Impugned Order and upholds the same in its entirety. The penalty of Rs. 875,000/- (Rupees Eight Hundred Seventy-Five Thousand) imposed on the Appellant under the Impugned Order



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shall stand, and the Appellant is directed to comply with the terms thereof. Accordingly, the Appeal is **dismissed** on the above terms without any order as to costs.

14. 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 Securities and Exchange Commission of Pakistan Act, 1997 before the competent forum, strictly in accordance with law.


(Zeeshan Rehman khattak)

Commissioner

Announced on: **13 MAY 2026**


(Muhammad Ali Farid Khwaja)

Commissioner