



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 49 of 2022

Al Meezan Investment Management Limited

versus

Appellant

Director/ HOD – Adjudication-I

Respondent

Date of hearing:

January 15, 2026

Present:

For the Appellant:

1. Mr. Syed Owais Wasti (Authorized Representative)
2. Mr. Syed Haseeb Ahmed Shah, Company Secretary

For the Respondent:

1. Mr. Sohail Qadri, Director/HOD, Adjudication Department-I, SECP

ORDER

1. This Order disposes of Appeal No. 49 of 2022 filed by Al Meezan Investment Management Limited (the "Appellant") against the Order dated May 28, 2022 (the "Impugned Order") passed by the Director/HOD – Adjudication 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").

2. The brief facts of the case are that the Appellant is a Non-Banking Finance Company licensed by SECP to operate as an asset management company and investment advisor since



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1994. A thematic inspection (the “Inspection”) conducted by the Respondent in October 2020 led to the issuance of a Show Cause Notice (the “SCN”) dated June 17, 2021. The SCN alleged violations of the AML/CFT Regulations, 2018, specifically lapses in client screening and monitoring, including failure to properly screen nominees and next of kin and maintain certain CNIC records, resulting in breaches of Regulations 6(5a) and 13(7). After considering the Appellant’s response and the hearing on June 24, 2021, the Respondent, through the Impugned Order, held the Appellant liable and imposed a penalty of Rs. 350,000.

3. The Appellant challenged the SCN findings regarding the requirement to conduct terrorist financing screening on nominees or next of kin declared in Account Opening Forms (AOFs). The Appellant submitted that such individuals are not account holders, beneficial owners, or persons with authority over the accounts, and therefore fall outside the scope of the AML/CFT Regulations, 2018. He emphasized that Regulation 13(7) read with Regulation 6(5)(a) focuses on monitoring relationships with designated or proscribed persons exercising direct or indirect control, ownership, or beneficial interest. Nominees in individual accounts do not have “ultimate control” or beneficial ownership and cannot operate accounts, execute transactions, redeem units, or derive any financial benefit. Under Pakistani law, asset distribution upon a unitholder’s death is governed by a valid succession certificate issued by a competent court or NADRA, rendering nominee declarations in AOFs legally ineffective for transmission purposes.

4. The Appellant further submitted that screening of “associates,” including nominees or beneficiaries, was introduced only through the AML/CFT Regulations, 2020, and therefore could not be applied retrospectively. The Respondent clarification dated September 2, 2021, confirmed that next of kin who neither own nor control the investment nor act on behalf of the account holder fall outside the scope of “associates” even under the 2020 Regulations. The Appellant also referenced FATF Recommendation 6, arguing that screening individuals with no financial or operational link to the account violates due process and may infringe constitutional protections under Article 18.

5. With respect to succession matters, the Appellant submitted that transmission of units occurs strictly upon compliance with succession requirements and after the 2021 amendment to the VPS Rules, proceeds are distributed only on the basis of a valid succession certificate



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and full Customer Due Diligence (CDD), including sanctions screening, is conducted prior to transmission, leaving no regulatory gap or compliance deficiency.

6. Regarding CNIC records and TF screening, the Appellant explained that international screening systems such as Refinitiv World-Check operate on 'name-based' matching and do not rely on CNICs, which may contain inaccuracies or omissions and that 'name-based' screening, supported by additional identifiers, represents both best practice and compliance.

7. The Appellant stated that typographical errors in trustee CNICs were not material, as sanctions screening was conducted on names, and such minor errors were promptly corrected.

8. On updating director information for a public listed company, the Appellant stated that the client, onboarded in 2012 as 'low-risk,' was monitored on a risk-based approach per Regulation 13(3), the internal Review Policy did not require real-time updates of directorship changes for low-risk clients. Nevertheless, the Appellant stated that it voluntarily screened newly appointed directors, demonstrating prudence. The Appellant argued that the Impugned Order misconstrued the AML/CFT Regulations, 2018, attributing non-compliance where none existed, and requested the Bench to set aside the penalty.

10. The Respondent denied the Appellant's contentions regarding nominee and next-of-kin screening, relying on Regulations 6(5a) and 13(7), which mandate monitoring of direct or indirect relationships with proscribed persons. The Respondent rejected the Appellant's narrow interpretation. The Respondent further emphasized that the duties of due diligence and monitoring inherently necessitate screening. Failure to screen nominees named in the AOFs constitutes a breach, as such individuals may act as facilitators or conduits. Legal arguments regarding succession rights or nominee status are irrelevant to regulatory duties.

12. The Respondent denied that correspondence or internal guidance could create regulatory forbearance, and stated that internal reviews or consultancy advice cannot override statutory obligations. The Respondent also submitted that deficiencies in client files, including missing CNICs and incomplete updates for minors, trustees, and directors, were material and categorization as 'low-risk' did not absolve the Appellant of continuous due diligence.



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14. After hearing both parties, the Bench is satisfied that the Respondent acted within its jurisdiction. The Appellant's failures constituted non-compliance with Regulations 6(5a) and 13(7). The Appellant's narrow interpretation of screening requirements is rejected.

15. The Bench notes that certain screening requirements, particularly for nominees and next of kin, were clarified only in the 2020 Regulations and could not be fully applied retrospectively. While the law contemplates monitoring relationships with persons exercising direct or indirect control, applying these provisions retroactively to all nominee data may not have been entirely consistent with the regulatory framework. This warrants moderation of the penalty.

16. In view of the mandatory nature of the obligations and the mitigating factors, the Bench reduces the penalty to Rs. 175,000. This reduction reflects recognition of partial compliance efforts and limited applicability of certain requirements at the relevant timewhile upholding regulatory accountability.

17. The Appeal is disposed of with no order as to costs.

(Muzzafar Ahmed Mirza)

Commissioner

(Zeeshan Rehman Khattak)

Commissioner

Announced on:

27 FEB 2026