



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 5 of 2022

M/s. Hamza Farhad Securities (Pvt.) Ltd.

...Appellant

Versus

Director/ HOD Adj-I

...Respondent

Date of hearing:

May 25, 2023

Present:

For the Appellants:

1. Mr. Khalid Irfan Mehmood Butt

For the Respondent:

1. Mr. Muhammad Faisal, Assistant Director, Adjudication-I, SECP
2. Mr. Hammad Ahmed, Management Executive, Adjudication-1, SECP

ORDER

1. This Order shall dispose of Appeal No. 05 of 2022 filed by M/s. Hamza Farhad Securities (pvt.) Limited (the "Appellant") through Mr. Khalid Irfan Mehmood Butt (Chief Executive Officer) under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") against the Order



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dated August 05, 2021 (the “Impugned Order”) passed by the Director/Head of Department, Adjudication I, SECP, (the “Respondent”) under Section 40A of the SECP Act read with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the “Regulations”).

2. The brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate (“TREC”) holder of the Pakistan Stock Exchange (the “PSX”) and licensed as a securities broker. The joint inspection team (the “JIT”) of the Securities and Exchange Commission of Pakistan (the “Commission”) conducted an inspection of the Appellant to assess its compliance with the regulatory requirements contained in the Regulations. Non-compliances with regulations 15(3), 4(a), 18(c), 6(3)(a), 6 (3)(c), 6(4), and 7(1)(b) of the Regulations were observed during the inspection.
3. In light of the aforementioned violations, the Show-Cause Notice (SCN) dated April 08, 2021, was issued to the Appellant. The Appellant responded on May 25, 2021, and a hearing was scheduled for June 9, 2021, which was attended by the authorized representatives of the Appellant. During the hearing, the arguments presented in response to the SCN were reiterated. After examining the submissions and considering the facts, the Respondent in exercise of powers conferred under Section 40A of the SECP Act, imposed a penalty of Rs. 150,000/- on the Appellant for the aforementioned contraventions of the Regulations.
4. The Appellant has preferred this Appeal *inter alia* on the grounds that the Regulations were promulgated on June 13, 2018 and thereafter the Appellant was in the process of updating its policy and testing accuracy, whereas, the Government was required to meet the ‘countering terror financing’ requirements by June, 2019. The Appellant argued that the Commission made changes to the Regulations and introduced new ones in 2019, which forced the Appellant to restart the entire policy process. Furthermore, the Appellant emphasized that due to the current situation of the country, the environment is not favorable for business, therefore, by considering these circumstances a lenient view may be taken by waiving the penalty.
5. The Respondent countered the grounds of the Appeal and presented arguments stating that violations of the Regulations were observed during the inspection. The Respondent mentioned that anti-money laundering policies have been in existence since 2012 under the PSX Guidelines, and they were not



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new to the Appellant. The Respondent reiterated that the violation of Regulations by the Appellant were observed during the inspection and the same renders the Appellant liable to penalty.

6. The Appellate Bench (the "Bench") has heard the arguments of both the parties and perused the record. The Bench is of the opinion that the Appellant had an obligation to adhere to the relevant requirements of the Regulations which should have been followed by the Appellant in their true letter and spirit. In this particular case, the Appellant failed to comply with the mandatory requirements and neglected to implement mandatory policies that have been in effect since 2012. Money laundering is a serious crime and its severity cannot be underestimated. Regulated individuals are expected to be highly vigilant in adhering to AML laws and should not offer excuses to avoid compliance.
7. In view of the foregoing, we find no reason to interfere with the merits of the Impugned Order, therefore, by maintaining the Impugned Order, we hereby **dismiss** this Appeal without any order as to costs.

(Abdul Rehman Warraich)
Commissioner

(Akif Saeed)
Chairman/Commissioner

Announced on: **25 AUG 2023**