



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 54 of 2020

Time Securities (private) Limited

Appellant

Versus

Commissioner (SMD)

Respondent

Date of hearing:

January 30, 2025

Present:

For the Appellant:

Mr. Shafqat Waqas, Authorized Representative

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. 54 of 2020 filed by Time Securities (Pvt.) Limited (the Appellant) against the Order dated April 13, 2019 (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). A 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 thematic review revealed the following non-compliance of the AML and CFT Regulations:

- i. In violation of Regulation 4(a) and 18(c) of the AML and CFT Regulations, the Appellant failed to update the policies and procedures of the AML/CFT and the review was conducted eight months after the issuance of the regulations.
  - ii. In violation of Regulation 18(a) of the AML and CFT Regulations, the Appellant failed to have independence of its compliance function on account of co-signing of compliance report by Chief executive along with compliance officer. The Regulations require reporting of compliance officer to the Board of Directors or to another equivalent executive position.
  - iii. In violation of Regulation 16(9)(f) of the AML and CFT Regulations, the Appellant failed to conduct their internal audit for the year 2019 and the internal audit report was co-signed by its chief Executive officer which was in contravention of the Regulation as it requires its independent audit function to have direct reporting to the Board of Directors or Audit Committee.
  - iv. In violation of Regulation 20(b) of the AML and CFT Regulations the Appellant failed to have a suitable training program for its employees.
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 November 15, 2019 and hearing in the matter was held on November 12, 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, they are being penalized solely



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based on the information requested under Section 137 of the Act, and that the thematic review was not conducted by the Commission itself. Furthermore, the Chief executive Officer possesses the majority voting rights on the Appellants board of directors, leading the appellant to consider him as holding an equivalent role on the board. Consequently, the Appellant contended that the mere counter-signing of the compliance report by the CEO, who reports to the full Board, should not be viewed as a breach of the AML/CFT Regulations. The Appellant further states there was a shortage of professional trainers available to provide proper training on the new regime. Due to limited space at the seminars and workshops organized by the market regulators, the appellant opted to conduct in-house training for its staff, in accordance with SECP guidelines on the AML and CFT regime. Lastly the appellant emphasized that their intent has always been to fully adhere to and comply with all Regulations in both letter and spirit.

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 conduct its audit for the year 2019 and failed to have independence of its compliance function, 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 update the policies and procedures of the AML and CFT, 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



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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 and 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.

**(Abdul Rehman Warriach)**  
Commissioner

**(Mujtaba Ahmed Lodhi)**  
Commissioner

Announced on:

**11 APR 2025**