# Securities and Exchange Commission of Pakistan

**BEFORE THE APPELLATE BENCH**

In the matter of

**Appeal No. 60 of 2023**

SAZ Capital Securities (Private) Limited

...Appellant

versus

Additional Director, Adjudication-I, SECP

...Respondent

**Date of Hearing:** April 29, 2026

**Present:**

For the Appellant:

1. Mr. Shafqat Ali (Consultant)
2. Muhammad Umair (Company Representative)
3. Muhammad Shafi (Company Representative)

For the Respondent:

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

## ORDER

1. This Order shall dispose of Appeal No. 60 of 2023 filed by SAZ Capital Securities (Private) Limited (the "Appellant") under Section 33 of the Securities and Exchange Commission of

Pakistan Act, 1997 (the "SECP Act") against the order dated April 17, 2023 (the "Impugned Order") passed by the Additional Director/Head of Wing, Adjudication Department-I, SECP, (the "Respondent") passed under Section 6A (2)(h) of the Anti-Money Laundering Act, 2010 (the "AML Act") read with Rule 4(1)(A) and 6(1) of the AML/CFT Sanction Rules, 2020 (the "AML Rules") for the contravention of S.R.O. 920(I)/2020 dated September 28, 2020 (the "Directive").

2. 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 by the Securities and Exchange Commission of Pakistan (the "Commission"). The Commission, in exercise of its powers under Section 6A(1) of the AML Act, issued a Directive, whereby, *inter alia*, under *Clause D* thereof, every regulated person is required to submit a 'Compliance Report' in respect of Statutory Regulatory Orders (SROs) issued by the Ministry of Foreign Affairs (MOFA) under the United Nations (Security Council) Act, 1948, or any intimation received from the National Counter Terrorism Authority (NACTA), law enforcement agencies (LEAs), provincial Home Departments, or the Ministry of Interior (MoI) regarding updates in the list of proscribed persons and entities under the Anti-Terrorism Act, 1997 (the "Terrorism Act 1997"), within forty-eight (48) hours of receipt, in the manner prescribed by the Commission from time to time.

3. That, during the course of an offsite review of the Appellant for the period January 1, 2022 to June 30, 2022, it was observed that the Appellant failed to submit the requisite compliance reports within the prescribed timeframe of forty-eight (48) hours from receipt thereof, along with intimation through the Commission's automated *eService's* portal, as mandated under *Clause D* of the Directive. Such non-compliance was identified in fifteen (15) instances, wherein the Appellant submitted the required reports beyond the stipulated period of forty-eight (48) hours, with delays ranging from one (1) to eleven (11) days.

4. In light of the above-mentioned violation, the Respondent issued a Show-Cause Notice dated January 20, 2023 (the "SCN") to the Appellant. In response to the SCN, the Appellant submitted its written reply on January 31, 2023. Hearing in the matter was held on February 15, 2023. The Respondent concluded the SCN proceedings and held that the violation of the applicable mandatory directive stood established, and in exercise of powers as conferred under Section 6A(2)(h) of the Act read with rules 4(1)(a) and 6(1) of the Rules, imposed a penalty of Rs. 75,000/- (Rupees Seventy-Five Thousand Only) upon the Appellant.

5. The Appellant has preferred the instant Appeal, *inter alia,* on the grounds that the Respondent decided the matter in haste and without proper appreciation of the facts and law asserting that the Respondent in the Impugned Order failed to consider the explanations and arguments of the Appellant and has passed a non-speaking order. The Appellant argued that the Respondent has failed to appreciate the fact that after the promulgation of the AML Act, all matters relating to or incidental to the AML Act, as well as issues of money laundering, fall within the exclusive domain of the Financial Monitoring Unit ("FMU"), while asserting that Section 39 of the AML Act expressly over rides the application of all other statutes in force, including the SECP Act.

6. The Appellant further submitted that, since the promulgation of the AML/CFT Regulations, 2018, there has been no instance whatsoever of any proscribed person or entity maintaining accounts with the Appellant, thereby evidencing substantial and effective compliance with the substantive requirements of the applicable regulatory framework. It was contended that the alleged lapse pertains merely to a procedural and technical delay in the submission of the compliance report within the prescribed timeframe, which, in and of itself, does not give rise to any material breach, regulatory risk, or prejudice to the objectives sought to be achieved under the AML/CFT regime.

7. The Appellant argued that the Impugned Order fails to appreciate the well-established distinction in law between substantive violations and procedural or technical non-compliances. It was submitted that the latter, particularly where unintentional and not accompanied by any

mala fide intent or recurring default, ought not to attract penal consequences of the nature imposed. The Appellant further emphasized that it operates within a highly regulated environment, subject to a multiplicity of evolving guidelines, circulars, and SROs, compliance with which requires continuous monitoring and administrative diligence. In such a context, isolated and inadvertent delays or minor oversights, arising due to practical and operational constraints, are not uncommon and ought to be viewed with a degree of regulatory pragmatism.

8. It was further contended by the Appellant that the imposition of penalty in the present case is disproportionate and contrary to the settled principles of administrative law, particularly the doctrine of proportionality and the principle that penal measures must commensurate with the gravity and impact of the alleged default. The Appellant submitted that, in the absence of any demonstrable harm, systemic failure, or facilitation of any prohibited activity, the initiation of penal proceedings constitutes an excessive and unwarranted exercise of discretion. Accordingly, it was prayed that the Impugned Order be set aside, as the same is not sustainable in law or on the facts of the case.

9. The Respondent controverted the grounds of appeal and submitted, *inter alia*, that the Impugned Order has been passed in accordance with the law and keeping in view the facts of case. The Respondent asserted that the explanations and arguments of the Appellant with regard to delays in compliance with the requisite requirements were not plausible, rather default was admitted by the Appellant. With regard to the applicable law, the Respondent submitted that the Impugned Order has been passed under the AML Act read along with the AML Rules, therefore, reference to the SECP Act and the AML/CFT Regulations 2018 is misconceived.

10. The Respondent further contended that, irrespective of whether any proscribed person or entity was ultimately identified, the Appellant remained under a strict and unequivocal obligation to comply with the requirements of the applicable legal and regulatory framework. It was argued that the existence or absence of any adverse outcome does not dilute or absolve the Appellant

from adherence to mandatory compliance obligations, which are preventive in nature and form the cornerstone of the AML/CFT regime.

11. The Respondent submitted that the requirement to submit the compliance report within the stipulated timeframe was not a mere procedural or operational formality, but a binding statutory obligation, non-compliance with which constitutes a clear violation of the applicable law. It was emphasized that such reporting requirements are integral to ensuring timely regulatory oversight, risk assessment, and enforcement, and any deviation therefrom undermines the efficacy of the regulatory framework.

12. The Respondent further asserted that the Appellant's failure to comply with the directive, within the prescribed period, amounts to a breach of a mandatory legal duty, for which the imposition of penalty is both justified and warranted. It was contended that regulatory compliance cannot be rendered contingent upon the occurrence of harm or detection of wrongdoing, and that strict adherence to prescribed timelines is essential to maintaining the integrity, transparency, and effectiveness of the AML/CFT regime.

13. The Appellate Bench (the "Bench") has heard the learned representatives of the parties, perused the available record, and considered the applicable legal framework. The Bench observes that the requirement to submit compliance reports within the prescribed timeframe under the Directive is a mandatory obligation, forming an integral part of the AML/CFT regime, and the Appellant was under a statutory duty to ensure strict adherence thereto. The instances of delay in submission of compliance reports, as identified during the offsite review, are not disputed and, therefore, the contravention of the Directive stands established.

14. However, the Bench also notes that the nature of the default is procedural, pertaining to delayed submission of compliance reports, and does not involve any substantive violation such as facilitation of any proscribed person or entity, nor has any such instance been brought on record by the Respondent. It is further observed that the delays, though recurring, were limited in

duration and were ultimately rectified by the Appellant through submission of the requisite reports.

15. The Bench is mindful of the settled principle that while regulatory compliance must be enforced to ensure discipline and deterrence, the imposition of penalty must be proportionate to the gravity and impact of the violation. In the present case, the Bench is of the considered view that, although the Appellant failed to strictly comply with the prescribed timelines, the fact that the default did not result in any demonstrable harm or compromise of the objectives of the AML/CFT framework, warrants a lenient view.

16. Accordingly, while upholding the findings of contravention recorded in the Impugned Order, the Bench, in exercise of its appellate jurisdiction, deems it appropriate to partially modify the Impugned Order to the extent of quantum of penalty. The penalty amount imposed upon the Appellant is hereby reduced to Rs. 40,000/- (Rupees Forty Thousand only).

17. The Appellant is further directed to ensure strict compliance with all applicable regulatory requirements in future, failing which any subsequent violation shall be viewed seriously and may attract enhanced penal consequences.

18. Accordingly, the Appeal is disposed of in the above terms with no order as to costs.

**(Imtiaz Haider)**
Commissioner

**(Muhmmad Ali Farid Khwaja)**
Commissioner

Announced on: 12 MAY 2026