



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 64 of 2023

Azee Securities (Pvt.) Limited

...Appellant

Versus

Additional Director/HOW, Adjudication -1

...Respondent

Date of hearings:

May 10, 2024

Present:

For the Appellant:

1. Mr. Ghazi Naseem

For the Respondent:

1. Mr. Mahboob Ahmad, Additional Director, Adjudication-I, SECP
2. Mr. Muhammad Akram Farooka Assistant Director, Adjudication-I, SECP

## ORDER

1. This Order shall dispose of Appeal No. 64 of 2023 filed by Azee Securities Private Limited (the "Appellant") through Mr. Ghazi Naseem (the "Authorized Representative") under Section



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33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the “SECP Act”) against the Order dated March 16, 2023 (the “Impugned Order”) passed by the Additional Director/Head of Wing Adjudication-I (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 “AML Regulations”).

2. The brief facts of the case are that the Appellant is a Trading ssEntitlement Certificate holder of the Pakistan Stock Exchange Limited (the “PSX”) and licensed as a securities broker by the Securities and Exchange Commission of Pakistan (the “Commission”). The Joint Inspection Team of PSX, Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited (the “JIT”) conducted a thematic review of the Appellant to assess the compliance of the Appellant with the AML Regulations. During the inspection a number of instances were observed where the Appellant had failed to comply with the applicable provisions of the AML Regulations. In light of those non-compliances, a show-cause notice, dated August 17, 2022 (the “SCN”), was issued to the Appellant and a hearing was scheduled for February 07, 2023. After examining the submissions and considering the facts, the Respondent found the Appellant to be in violation of Regulations 5(a), 8, 9(b), 13, 19(1)(a), 21(1), 21(2), Serial# 6 and Note(i)(o) of Annex-1 of the AML Regulations. In exercise of powers conferred under Section 40A of the SECP Act, imposed a penalty of Rs. 500,000/- (Rupees five hundred thousand only) on the Appellant for the aforementioned contraventions of the AML Regulations.
3. The Appellant filed this Appeal on several grounds contending that the Respondent's issuance of the Impugned Order lacked proper appreciation of both facts and law. The Counsel argued that the Respondent failed to provide adequate reasoning for rejecting the explanations and submissions made by the Appellant. Secondly, he contended that the Impugned Order merely stated violations without specifying the regulatory framework that was allegedly breached, thus, constituting a ‘non-speaking order’. Moreover, regarding the ‘Policies & Procedures’ requirement, the Counsel claimed that the Appellant complied by submitting the required

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documents, including a copy of the Board resolution and the Revised Policy framework, before both the Oversight Team and the Respondent and highlighted that the Appellant's adherence to these procedures demonstrated a proactive approach to compliance. Additionally, in response to the assertions made by the Respondent regarding inadequate due diligence for corporate clients, the Counsel for the Appellant mentioned that the Appellant had implemented an automated screening software provided by a reputable vendor available in the market and a thematic review was conducted, examining sample cases of main account holders, joint holders, nominees, authorized persons, and Board of Directors of entities. The Appellant's Counsel also highlighted the Appellant's adherence to a daily screening procedure against UNSCR and NECTA lists through their database, which were duly shared with the Respondent. The Counsel for the Appellant further contended that the Respondent overlooked the submission of frameworks under AML/CFT Regulation, 2020, and the automated screening mechanism, reflecting a failure to use independent judgment in rendering the Impugned Order.

4. The Respondent disputed the assertions made by the Appellant and asserted that the Impugned Order was meticulously crafted following a detailed judicial analysis of each allegation outlined in the SCN. He further asserted that the Impugned Order systematically considered the adequacy and availability of all necessary supporting documents, and assessed the sufficiency of information provided by the Appellant during the proceedings and inspections. The Respondent highlighted that Paragraph 8(i) of the Impugned Order specifically addressed the revision in the Appellant's AML/CFT Policies on March 21, 2022 and that paragraphs 8(iii) and (iv) thoroughly examined the deficiencies in supporting documentation and information related to the two aforementioned corporate clients, conclusively establishing non-compliance with AML Regulations.
5. The Bench has considered the arguments presented by both parties and thoroughly examined the evidentiary record. The Bench acknowledges the Appellant's proactive steps in implementing the Automated Screening Software and conducting thematic reviews on account

*[Handwritten signatures]*



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holders and entities. However, it is imperative for the Appellant to consistently adhere to all provisions of the relevant regulations, ensuring compliance in both form and substance. While the Bench appreciates subsequent efforts towards compliance, they do not absolve the Appellant of past violations. In view of the foregoing, the Bench, considers it justified to reduce the penalty to Rs. 400,000/-. The instant Appeal is disposed of on above terms without any order as to costs.

(Abdul Rehman Warraich)

Commissioner

(Mujtaba Ahmad Lodhi)

Commissioner

Announced on: 12 JUL 2024