



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 68 of 2020

M/s. ACM Global (Pvt.) Limited

...Appellant

versus

Executive Director, Adjudication Department-I, SECP

...Respondent

May 29, 2025

Date of hearing:

Present:

For the Appellants:

1. Mr. Muhammad Ali
2. Mr. Abdul Sami
3. Mr. Sheharyar Rind

For the Respondent:

1. Mr. Mubasher Saeed Saddozai, Executive Director, Adjudication Division, SECP
2. Mr. Muhammad Faisal, Deputy Director, Adjudication Department-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 68 of 2020 filed by M/s. ACM Global (Pvt.) Limited (the Appellant) against the Order dated July 13, 2020 (Impugned Order) passed by the Executive Director, Adjudication-I (the Respondent) under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the Act).

2. The brief facts of the case are that the Appellant is engaged in brokerage and securities business and holds a Trading Rights Entitlement Certificate (TREC) of the Pakistan Stock Exchange



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Limited. The Securities and Exchange Commission of Pakistan (the Commission) conducted a limited-scope thematic review of the Appellant to ascertain its compliance with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (“AML Regulations”) and the Securities Brokers (Licensing and Operations) Regulations, 2016 (“Licensing Regulations”). Pursuant to the review, the Commission issued the Show-Cause Notice dated April 27, 2020 (the SCN), alleging several non-compliances, including the absence of required provisions in the AML/CFT policy, monitoring, reviewing and updating AML/CFT policies and procedures by the compliance officer, lack of an effective compliance function, deficient internal audit reporting lines, and failure to cover AML/CFT aspects in both the compliance and internal audit reports. Furthermore, the Appellant also failed to comply with the requirements of the Licensing Regulations regarding periodic review of the internal control system and assessment of overall level of compliance through internal audit function. The respondent provided an opportunity of hearing on June 17, 2020, which was attended by the Compliance Officer of the Appellant.

3. The Respondent concluded the proceedings and passed the Impugned Order wherein the contraventions were held established based on the Appellant’s admission and documentary record. Through the said order, a monetary penalty of Rs. 200,000/- was imposed on the Appellant under Section 40A of the SECP Act, 1997 for contravention of the AML Regulations, and an additional penalty of Rs. 50,000/- was imposed under Section 150 of the Securities Act, 2015 for violation of Licensing Regulations. Furthermore, the Compliance Officer was warned to exercise due care in future, and the Appellant was directed to ensure that its AML/CFT framework is aligned with regulatory requirements.
4. The Appellant has preferred this Appeal, *inter alia*, on the grounds that the Impugned Order suffers from legal and factual infirmities. The findings recorded therein are based on an incorrect appreciation of the facts and disregard of relevant documentary evidence submitted during the proceedings. The Impugned Order is excessive in its reasoning and harsh in its conclusions, thereby failing to meet the standards of proportionality and fairness.



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5. It was further submitted by the Appellant that the SCN was issued on April 27, 2020, whereas the Review Letter was dated June 1, 2020, which indicates that the review was not formally concluded at the time the SCN was served. This procedural anomaly renders the SCN void *ab initio*, as no legal proceedings can be initiated before the factual basis for such proceedings is finalized.
6. It was argued by the Appellant that the it does not maintain any external clients and that all trading activity is conducted exclusively by the company's proprietors. In such a case, the risk of money laundering or terrorist financing is minimal to non-existent. Therefore, the imposition of penalties under the AML/CFT framework is not only disproportionate but also contrary to the principle of risk-based regulation.
7. The Appellant argued that the findings concerning the alleged absence of a mechanism for documenting Suspicious Transaction Reports (STRs) were erroneous. Section 12 of the Appellant's AML Policy specifically deals with the detection of suspicious activities and the procedure for STR filing. The allegation that the policy lacked such provisions is therefore misplaced.
8. In relation to the remaining violations highlighted in the Impugned Order, the Appellant submitted that all identified deficiencies had been rectified subsequent to the thematic review. A revised AML/CFT policy was prepared, the compliance function was made effective, and internal audit procedures were realigned in accordance with regulatory expectations. However, the Impugned Order does not acknowledge or give due weight to these corrective measures.
9. The Appellant placed reliance on precedents where the Appellate Bench (the Bench), converted monetary penalties into warnings based on post-review compliance. Specific reference was made to decisions reported as **2017 CLD 1715** and **2018 CLD 1211**, wherein the Bench took a lenient view when the contraventions regarding filing of quarterly accounts were removed



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subsequently or commitment was made by the appellants to follow the law in future. It was submitted that the same principle of regulatory equity ought to be applied in the present case.

10. While emphasizing its clean track record, the Appellant submitted that it is a law-abiding company with no previous record of regulatory violations. As recognized in decisions such as **2017 CLD 1728** and **2018 CLD 1031**, prior good conduct is a relevant consideration in determining the quantum of penalty, and where a warning suffices to achieve compliance, no further coercive measures should be applied.
11. In response to the submissions of the Appellant, the Respondent, *inter alia*, contended that the Impugned Order has been passed strictly in accordance with the applicable legal framework, after due compliance with procedural and substantive requirements. It was asserted that the order is legally sound, well-reasoned, and supported by the facts disclosed during the course of the review and proceedings.
12. The Respondent refuted the Appellant's claim of excessive penalization, asserting that, given the seriousness of the regulatory breaches, the penalties were not only warranted but also lenient. The Impugned Order, far from being harsh, reflects regulatory restraint and adherence to principles of proportionality.
13. The Respondent denied the allegation that the SCN was issued prematurely or without basis. It was submitted that the SCN was lawfully issued after non-compliances were observed during the limited-scope thematic review. The contention that the SCN preceded the conclusion of the review is misconceived and factually incorrect.
14. The Respondent contended that the AML/CFT regulatory framework does not differentiate between internal and external clients with respect to its applicability. The mere fact that the Appellant's trading activity involved only its proprietors does not absolve it from the obligation to comply with all the prescribed requirements. Any operational activity conducted under a



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TREC license must adhere to the full spectrum of AML obligations, irrespective of the nature or volume of clientele.

15. It was argued by the Respondent that the Appellant's AML Policy, at the time of review, was deficient and did not comply with the regulatory standards. The claim that relevant provisions existed within the policy is without merit and contrary to the findings of the review, which were neither refuted by documentary evidence nor contradicted during the hearing.
16. With regard to post-review compliance, the Respondent argued that any steps taken by the Appellant after the review cannot exonerate it from liability for violations that had already occurred. The Respondent had already taken a lenient view by refraining from imposing the maximum statutory penalty, and therefore, no further mitigation is warranted on account of belated compliance.
17. The Respondent refuted the reliance placed by the Appellant on previous decisions, stating that the facts of the cases cited namely *2017 CLD 1715* and *2018 CLD 1211* were materially different and therefore have no binding or persuasive application to the present matter.
18. The Bench has considered the arguments advanced by both parties and examined the record placed before it. The Bench finds that the Appellant has not denied the existence of regulatory gaps in its AML/CFT policy at the time of the review, particularly the absence of documented procedures for determining whether or not a STR should be filed, as required under Regulation 14(6) read with Regulation 4(a) of the AML Regulations. This failure is acknowledged by the Appellant and is evident from the material placed on record.
19. The Bench further finds that the Appellant's compliance function, at the time of review, did not effectively discharge its statutory obligations under Regulation 18(c)(ii) of the AML Regulations and Regulation 16(9)(a) of the Licensing Regulations. The compliance report



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submitted by the Appellant did not cover AML/CFT aspects, and the Appellant itself admitted that measures were being taken to improve this function subsequent to the review.

20. The Bench also notes that the internal audit function of the Appellant was not independent as required under Regulation 4(d) of the AML Regulations and Regulation 16(9)(c) of the Licensing Regulations. The internal auditor reported to senior management instead of the board of directors or its audit committee, and the audit report did not address AML/CFT compliance. These findings are borne out by the record and were not seriously contested during the hearing.
21. With regard to the argument that the Appellant has no external clients, the Bench is of the view that the AML Regulations apply uniformly to all regulated entities, regardless of whether operations are limited to internal proprietors or extended to third-party clients. The risk profile may vary, but the obligation to maintain AML/CFT compliance systems remains absolute.
22. The Bench observes that the Appellant has presented evidence of subsequent compliance, including amendments to its AML/CFT policy, improvements in compliance oversight, and realignment of internal audit functions. While such measures do not absolve past non-compliance, the Bench finds it relevant that the Appellant took these steps promptly after the deficiencies were identified and has shown willingness to adhere to the regulatory framework.
23. With regard to the Appellant's reliance on past decisions of the Commission's Appellate Bench reported as *2017 CLD 1715* and *2018 CLD 1211*, the Bench notes that in the referred cases, the penalties were converted into warnings due to rectification of non-compliances and absence of mala fide intent. While the facts of each case must be assessed independently, the Bench is of the view that the principle of regulatory proportionality and the preventive nature of the AML framework justify consideration of leniency in appropriate circumstances, but do not preclude the imposition of monetary penalties where breaches have in fact occurred.



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24. The Bench also notes that although the Appellant has maintained a clean regulatory record prior to the instant proceedings and there is no allegation of financial misconduct or wilful concealment, the nature of the identified breaches under the AML Regulations and Licensing Regulations nonetheless warrants the imposition of a calibrated monetary penalty. In the Bench's view, the penalty must serve as both a deterrent and a reminder of the seriousness with which AML/CFT compliance obligations are to be treated.
25. In view of the foregoing analysis and findings, and while upholding the conclusions reached by the Respondent in the Impugned Order with respect to the Appellant's non-compliance with the provisions of the AML Regulations and Licensing Regulations, the Appellate Bench is of the view that, in the peculiar facts and circumstances of the case, and in light of the subsequent remedial measures taken by the Appellant, the monetary penalty imposed may be rationalized to ensure proportionality rather than set aside entirely.
26. Accordingly, the Bench imposes a monetary penalty of PKR 50,000/- (Rupees Fifty Thousand only) on the Appellant for the established breaches, while also issuing a formal warning to the Appellant to exercise due diligence in future and to ensure strict and continued compliance with all applicable regulatory requirements, particularly those pertaining to anti-money laundering and internal control systems. The Appellant is further directed to continue reviewing and strengthening its AML/CFT policies, compliance functions, and internal audit mechanisms in line with the standards prescribed under the applicable legal and regulatory framework, and to remain vigilant in its regulatory obligations at all times. The Appeal stands disposed of with no order as to costs.

(Abdul Rehman Warraich)
Commissioner

(Muzzafar Ahmed Mirza)
Commissioner

Announced on:

30 SEP 2025