



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 74 of 2019

Next Capital Limited

...Appellant

Versus

Commissioner, Securities Market Division

...Respondent

Date of hearing:

January 09, 2025

Present:

For the Appellant:

1. Mr. Muhammad Najam Ali, CEO
2. Mr. Rizwan Yousaf, Company Secretary

For the Respondent:

1. Mr. Sohail Qadri, Director/HOD, Adjudication-I Department, Adjudication Division, SECP
2. Mr. Muhammad Akram Farooka, Assistant Director, Adjudication-I Department, Adjudication Division, SECP

ORDER

1. This order shall dispose of Appeal No. 74 of 2019 filed by M/s. Next Capital Limited (the "Appellant") under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 against the order dated September 03, 2019 (the "Impugned Order") passed by the Commissioner, Securities Market Division (the "Respondent") under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "Act") and section 150 of the Securities Act, 2015.

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2. The brief facts of the case are that the Appellant is a Trading Right Entitlement Certificate (“TREC”) holder of the Pakistan Stock Exchange (“PSX”) and licensed as a securities broker under the Securities Act, 2015. An inspection of the Appellant conducted by the Commission revealed that the Appellant was non-compliant with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the “AML Regulations”). Subsequently, the Commission conducted a follow up review (“Review”) to assess the Appellant’s compliance. The Review revealed non-compliance of Regulations 4(a), 6, 10 and 20(b) of the AML Regulations as well as Circulars 10 and 20 of 2017. For the said contraventions, a show-cause notice (“SCN”) dated June 17,2019 was issued to the Appellant. The Respondent examined written as well as oral submissions and justifications given by the Appellant against each non-compliance and accepted all except for the violation of Regulation 6 of the AML Regulations. Therefore, for the said non-compliance, the Respondent imposed a penalty of Rs. 200,000/- on the Appellant in terms of powers conferred under section 40A of the Act and 150 of the Securities Act, 2015.
3. The Appellant has challenged the Impugned Order, *inter alia*, on the grounds that the Respondent failed to consider the facts regarding non-compliance of Regulation 6 of the AML Regulations. The Appellant argued that the AML Regulations were implemented on June 13, 2018 and soon after that the National Clearing Company of Pakistan Limited (“NCCPL”) announced to amend the Centralized KYC Organization (“CKO”) Regulations, 2017 and made biometric NADRA verification (finger scan) of customers mandatory for account opening process through a biometric application on biometric devices. The Appellant stated that it did not find it feasible to spend money on NADRA Verisys and instead started working on and acquiring a finger scan system. The Appellant further stated that the Impugned Order is excessive because out of seven non-compliances as mentioned in the SCN, the Appellant was held accountable for only one non-compliance but a huge penalty of Rs. 200,000/- was imposed, which is unjustifiable. The Appellant apprised the Appellate Bench (the “Bench”) that subsequently it procured and implemented NADRA Verisys in 2021.
4. The Respondent has rebutted the grounds of the Appeal and presented arguments in support of their stance. It was contended by the Respondent that the Impugned Order quite fairly analyzes the

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submissions of the Appellant, as the Appellant was not able to provide any justification or evidence regarding its failure to validate photocopies of identity documents of twelve (12) clients through NADRA Verisys, which was mandatory under the AML Regulations. The Respondent reiterated that Annexure I under Regulation 6 of the AML Regulations explicitly states that “*the photocopies of identity documents shall be validated through NADRA verisys*” which the Appellant failed to comply with, therefore, the penalty was imposed in accordance with the provisions of law.

5. The Bench has heard the arguments of both the parties and perused the record. The Bench is of the opinion that the Appellant has the responsibility to strictly adhere to the relevant requirements outlined in the AML Regulations and subsequent rectification action do not absolve the Appellant from the committed non-compliance. However, during the course of arguments the Appellant stated that the Appellant took measures to comply with Regulation 6 of the AML Regulations by implementing NADAR Verisys and are committed to ensure meticulous compliance with the applicable regulatory framework.
6. In view of the foregoing, the Bench considers it justified to reduce the penalty. Therefore, we hereby modify the Impugned Order to the extent that the penalty imposed on the Appellant vide Impugned Order is reduced to Rs. 100,000/- and the instant Appeal is **disposed of** on above terms with no order as to costs.


(Abdul Rehman Warraich)
Commissioner


(Mujtaba Ahmad Lodhi)
Commissioner

Announced on: **31 JAN 2025**