



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 80 of 2019

Arif Habib Limited

..... Appellant

versus

Commissioner (SMD), SECP

..... Respondent

Date of Hearing:

March 05, 2026

Present:

For the Appellant:

Muhammad Junaid A. Chauhan, Authorized Representative

For the Respondent:

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

### ORDER

1. This Order shall dispose of Appeal No. 80 of 2019 filed by Arif Habib Limited (the "Appellant"), against Order dated September 30, 2019 (the "Impugned Order"), passed by the Commissioner, Securities Market Division SECP (the "Respondent"), under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") read with Regulations 4(a), 6(8), and 13 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "AML Regulations").



## Securities and Exchange Commission of Pakistan

2. Brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate (“TREC”) holder of Pakistan Stock Exchange Limited (“PSX”). An inspection was carried out to determine the compliance status of the regulatory requirements contained in the AML Regulations. The inspection revealed, *prima facie*, that the Appellant had committed certain violations of the AML Regulations, including maintaining a deficient AML/CFT Policy and Standard Operating Procedures in contravention of Regulation 4(a), failing to appropriately categorize eight clients on the basis of customer due diligence as required under Regulation 6(8), and failing to ensure effective ongoing monitoring of certain clients, maintain consolidated customer risk profiles, and implement an automated alert generation system, in violation of Regulation 13 of the AML Regulations.
3. In view of the aforesaid observations, the Respondent issued a show-cause notice dated July 15, 2019 (the “SCN”) to the Appellant. The Appellant submitted a written reply along with supporting documents on August 06, 2019. Hearing in the matter was conducted on August 06, 2019. Consequently, the Respondent concluded that violations of Regulations 4(a), 6(8), and 13 of the AML Regulations stood established and, in exercise of powers conferred under Section 40 of the SECP Act, imposed a penalty of Rs. 250,000 (Rupees Two Hundred Fifty Thousand only) upon the Appellant.
4. The Appellant has preferred the instant Appeal on the grounds, inter-alia, that the Impugned Order was passed in a hasty and mechanical manner without proper appreciation of the facts and applicable law, as the observations in the SCN were merely a reproduction of the findings earlier communicated through the Letter of Findings and the detailed written responses and documentary evidence submitted by the Appellant were not duly considered. It was further contended that the Appellant’s AML/CFT Policy and procedures were compliant with the applicable regulatory framework and that the Impugned Order neither explains how the policy was deficient nor specifies the manner in which the AML Regulations were violated, thereby rendering it a non-speaking order. The Appellant also submitted that risk profiling of customers was conducted in accordance with its internal policy and the risk-based approach envisaged under the AML Regulations, with enhanced due diligence carried out where required, and that customer due diligence, including determination of beneficial ownership and source of funds, was undertaken on the basis of relevant documents and information obtained from customers. The Appellant argued that



## Securities and Exchange Commission of Pakistan

any perceived deficiencies, if assumed for the sake of argument, were either misconstrued or had already been adequately addressed through subsequent clarification and compliance measures. It was therefore contended that the findings recorded in the Impugned Order were based on an incorrect appreciation of facts and the penalty imposed was unjustified.

5. In response to the submissions of the Appellant, the Respondent, *inter-alia*, submitted that the inspection findings were duly communicated to the Appellant and the SCN was issued after due consideration, while the Appellant was afforded adequate opportunity to submit written responses and present its case during the hearing; therefore, the Impugned Order was passed after following due process of law. The Respondent contended that deficiencies were observed in the Appellant's AML/CFT Policy during the inspection period, and the subsequent revision of the policy did not negate the earlier non-compliance with Regulation 4(a) of the AML Regulations. It was further submitted that improper risk categorization of certain clients and inadequate substantiation for their low-risk classification constituted non-compliance with Regulation 6(8), while deficiencies relating to verification of source of funds and failure to maintain updated customer profiles impaired effective monitoring of transactions, amounting to non-compliance with Regulation 13 of the AML Regulations. The Respondent therefore maintained that the violations were duly established on the basis of the material on record and that the penalty imposed under the Impugned Order was justified.
6. The Appellate Bench (the "Bench") has heard the submissions of the parties and perused the material available on record. The Bench observes that the Appellant, being a licensed securities broker, is under a continuing statutory obligation to ensure strict compliance with the AML Regulations and any deficiencies in AML/CFT controls cannot be treated lightly, as such obligations are fundamental to maintaining the integrity and transparency of the capital market. At the same time, the Bench notes that certain deficiencies highlighted during the inspection appear to be procedural in nature and the Appellant has subsequently taken steps to address and rectify the same, including improvement of its internal AML/CFT framework and related controls. In these circumstances, while the Bench is not inclined to entirely exonerate the Appellant from responsibility for the observed lapses, it is of the view that the ends of justice would be adequately met if the penalty imposed under



## Securities and Exchange Commission of Pakistan

the Impugned Order is converted into a warning to the Appellant to ensure strict and continuous compliance with the applicable regulatory requirements in the future.

7. In view of the foregoing, the Bench converts the monetary penalty imposed through the Impugned Order into a warning to the Appellant to ensure strict compliance with the applicable AML Regulations in future.
8. The Appeal is disposed of in the above terms with no orders as to costs.

(Muzzafar Ahmed Mirza)  
Commissioner

(Muhammad Ali Farid Khwaja)  
Commissioner

Announced on:

**12 MAR 2026**