



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 82 of 2020

Bridge Securities (Private) Limited

...Appellant

Versus

Executive Director, Adjudication Department -I, SECP

...Respondent

Date of hearing:

January 30, 2025

Present:

For the Appellant:

1. Mr. Muhammad Arslan Haider Qureshi, Compliance Officer

For the Respondent:

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

ORDER

1. This order shall dispose of Appeal No. 82 of 2020 filed by Bridge Securities (the "Appellant") under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 against the order dated July 14, 2020 (the "Impugned Order") passed by the Executive Director, Adjudication Department-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 a Trading Right Entitlement Certificate ("TREC") holder of the Pakistan Stock Exchange ("PSX") and licensed as a securities broker with the Securities



Securities and Exchange Commission of Pakistan

and Exchange Commission of Pakistan (the “Commission”). The inspection of the Appellant was conducted by the Joint Inspection Team (the “JIT”) *vide* inspection notice No. Y4/Q2/192 dated August 26, 2019 (the “Inspection”). The scope of the Inspection was to check compliance of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the “AML Regulations”). The Inspection revealed non-compliance of Regulations 4(a), 6(3)(a), 6(3)(c), 6(4), 6(5)(a), 13(1), 13(7), 15(3) and 18(c)(iii) of the AML Regulations. For the said contraventions, a show-cause notice (the “SCN”) dated June 05, 2020 was issued to the Appellant. After thoroughly examining the submissions and considering the facts of the case, the Respondent accepted the justifications provided by the Appellant concerning the alleged violations of Regulations 4(a), 13(1), 18(c)(iii) of the AML Regulations. However, with regard to the remaining instances of non-compliance, the Respondent, in exercise of the powers conferred under section 40A of the Act, imposed a penalty of Rs. 250,000/- on the Appellant.

3. The Appellant has challenged the Impugned Order on the grounds, *inter alia*, that there was no willful or deliberate violation of the AML Regulations on its part. The Appellant contends that it has maintained a comprehensive database of all clients including nominees, joint holders, and their respective beneficiaries, in an excel sheet and effective screening of clients has been conducted through an electronic database or the Smart Stock System, as required under Regulation 13(7) of the AML Regulations. The Appellant asserts that in compliance with Regulation 15(3) of the AML Regulations, it has duly conducted the Customer Due Diligence (“CDD”) process of its clients by obtaining and verifying relevant information, including Computerized National Identity Cards (“CNICs”), sources of income, Know Your Customer (“KYC”) forms, annual tax returns, bank maintenance certificates, business details, and other necessary documentation. Additionally, the Appellant emphasizes that its internal policy mandates the proper identification of customers, the maintenance of secure and strong business relationships and the systematic record-keeping of all relevant client information.
4. With respect to the alleged non-performance of NADRA Verisys verification for clients, the Appellant submitted that during the inspection period, i.e. August 01, 2018 to July 31, 2019, the NADRA Verisys system was not available in the market. Prior to the introduction of this facility, it was the established


ML.



Securities and Exchange Commission of Pakistan

industry practice, including that of the Appellant, to verify customer identities through UNSCR/NACTA to ensure that no client/customer be included in the list. The Appellant further contends that on April 02, 2020, an email was issued by the Additional Director, Brokers Compliance Department, Securities Market Division, informing that NADRA Verisys services and a one-time verification mechanism for individual clients would be made available to all brokers, including the Appellant. Upon receipt of the notice, bearing reference SECP/AML-1049/2020, regarding the NADRA Verisys system, the Appellant promptly applied for access to the system on April 07, 2020, to ensure compliance with customer identity verification requirements. Furthermore, the Appellant asserts that the NADRA Verisys verification of twelve (12) clients, as referenced in the SCN, was subsequently furnished to the JIT. Furthermore, with respect to the observation concerning the identification of the source of income/funds/beneficial ownership in two (2) instances, the Appellant subsequently provided the requisite documentation to the JIT in compliance with Regulations 6(3)(a), 6(3)(c), and 6(5)(a) of the AML Regulations. However, the Respondent failed to duly consider this compliance at the time of issuing the Impugned Order. During the hearing, the Appellant reiterated its commitment to fulfilling its regulatory obligations in accordance with the law and requested the Appellate Bench (the "Bench") to take a lenient view in the matter.

5. The Respondent has refuted the grounds of the Appeal and submitted arguments asserting that violations of the AML Regulations were duly identified during the course of the Inspection. With regards to the observation regarding screening mechanism for clients, nominees, joint account holders and authorized persons against the list of proscribed persons, the Respondent contends that the Appellant conducted such screening manually. Furthermore, subsequent to the Inspection, the Appellant provided the 'excel sheet' working wherein the database of such individuals was maintained. The Respondent argues that, at the time of Inspection, the Appellant's database was incomplete due to which the authenticity and effectiveness of its screening mechanism could not be ensured. Consequently, the Respondent maintains that the contraventions of Regulations 13(7) and 15(3) of the AML Regulations, as identified during the Inspection, remain undisputed.
6. The Respondent further asserted that, concerning the violation of Regulation 6(4) of the AML Regulations, the Appellant failed to provide evidence substantiating the validation of CNICs through NADRA Verisys in twelve (12) identified instances at the time of the Inspection. Additionally, with



Securities and Exchange Commission of Pakistan

respect to the observation regarding the non-submission of information pertaining to the source of income, funds, and beneficial ownership in two instances, the Respondent contended that the Appellant did not furnish the requisite supporting documentation during the Inspection. The Respondent maintained that the all the requisite information in the identified instances was only submitted by the Appellant in response to the SCN, thereby establishing that the Appellant was in contravention of Regulations 6(3)(a), 6(3)(c), 6(4) and 6(5)(a) of the AML Regulations. The Respondent reiterated that the Impugned Order is fair and was passed after due consideration of the facts and established non-compliance of the AML Regulations by the Appellant.

7. The Bench has heard the arguments presented by both parties and perused the record. The Bench is of the opinion that the Appellant bears the responsibility to ensure strict compliance with the requirements set forth in the AML Regulations. Furthermore, the Bench is of the view that subsequent corrective actions taken by the Appellant do not absolve it of the violations committed at the time of the Inspection. However, the Bench has taken note of the fact that the Appellant furnished the requisite information for the highlighted instances after the Inspection and has demonstrated a commitment to ensuring diligent and continued compliance with the applicable regulatory framework.
8. 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:

03 MAR 2025