



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter or

Appeal No. 83 of 2020

Tannu Securities Private Limited

..... Appellant

Versus

Executive Director/HOD, Adjudication – I Department, SECP

..... Respondent

Date of Hearing:

May 29, 2025

Present:

For the Appellant:

1. Mr. Muhammad Ali, Manager Legal
2. Abdul Sami
3. Shehriyar Rind, Advocate

For the Respondent:

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

## ORDER

1. This Order shall dispose of Appeal No. 83 of 2020 filed by Tannu Securities Private Limited (the Appellant), against order dated July 14, 2020 (the Impugned Order), passed by the Executive Director/HOD, Adjudication – I, SECP (the Respondent), under Section 40A of Securities and Exchange Commission of Pakistan Act, 1997 (the Act).
2. Brief facts of the case are that a thematic review (the Review) was carried out into the affairs of the Appellant by the Securities and Exchange Commission of Pakistan (the Commission) to assess the Appellant's compliance with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism)



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Regulations, 2018 (the Regulations). The Review revealed violations of Regulations 4(a), 18(c)(ii) and 18(c)(iii) the Regulations. Specifically, the Appellant failed to maintain a list of accounts or customers where business relationships were required to be closed due to negative verification results, ensure that no account was opened where Customer Due Diligence (CDD) requirements could not be satisfactorily completed, effectively document and implement procedures concerning beneficial ownership of legal persons and legal arrangements and apply Enhanced Due Diligence (EDD) measures in accordance with the prescribed regulatory standards, thereby contravening Regulation 4(a) of the Regulations. Additionally, the Appellant did not maintain an updated AML policy duly approved by its Board of Directors (BOD) and failed to ensure its effective implementation, in violation of Regulations 18(c)(ii) and 18(c)(iii) of the Regulations. In view of these deficiencies, the Respondent issued Show Cause Notice (SCN) dated April 27, 2020 to the Appellant. The Appellant submitted a written reply through email dated July 09, 2020, and a personal hearing was conducted on July 10, 2020. Upon consideration of the Appellant's submissions during the hearing, the Respondent imposed a penalty of Rs. 500,000/- on the Appellant. A warning was also issued to the Appellant's Compliance Officer, and directions were given to ensure full compliance with the Regulations in letter and spirit.

3. The Appellant has preferred this Appeal, *inter-alia*, on the grounds that the Impugned Order is bad in law and liable to be set aside for having been passed without due appreciation of the factual and practical circumstances. The Appellant submitted that the penalty imposed by the Respondent is harsh, disproportionate, and legally untenable. The Appellant further submitted that the Regulations came into force on June 13, 2018, and were relatively recent in their operationalization, with ongoing awareness and training sessions being conducted by both the Pakistan Stock Exchange (PSX) and the Commission itself. The Appellant further submitted that the AML/CFT Policy adopted by the Appellant was based on the model policy drafted by the PSX Stockbrokers Association in consultation with PSX and with guidance from the Commission's awareness sessions. The Appellant contended that penalizing the Appellant despite reliance on such collectively developed resources is unjustified. The Appellant also referred to the PSX's update on its "Guidelines on Anti-Money Laundering, Countering Financing of Terrorism and Proliferation Financing" in April 2020, to contend that AML policies remain subject to continuous revision and refinement and updating policies requires meticulous deliberation to ensure alignment with



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the regulatory framework. The Appellant further argued that subsequent compliance measures undertaken by the Appellant warrant due consideration, particularly under the doctrine of *stare decisis*, citing previous decisions of the Appellate Bench (the Bench) reported as 2017 CLD 1715 and 2018 CLD 1211, wherein penalties were converted into warnings in similar circumstances. The Appellant also stressed principles of company law to argue that, in cases where no *mens rea* is involved and a warning is sufficient, penal action is unwarranted. Emphasis was placed by the Appellant on its track record as a law-abiding entity, and reliance was placed on precedents reported as 2017 CLD 1728 and 2018 CLD 1031 to urge the Bench to exercise leniency. Lastly, the Appellant prayed that the Impugned Order may be set aside.

4. In response to the submissions of the Appellant, the Respondent, *inter alia*, submitted that the Impugned Order has been passed strictly in accordance with law and upon proper consideration of the facts and circumstances of the case. In response to the Appellant's assertion regarding the recency of the Regulations and the insufficiency of time for compliance, the Respondent contended that the said Regulations were promulgated in June, 2018 and the Review was conducted in February, 2019, thereby affording the Appellant a period of eight months to align its systems and operations with the regulatory requirements. The Respondent further argued that the issuance of AML guidelines or the conduct of awareness sessions were only intended to facilitate regulated entities and were not a pre-condition to the enforceability of the Regulations. The Respondent emphasized that core regulatory obligations relating to KYC/CDD and anti-money laundering had already been introduced as far back as 2012 through the Karachi Stock Exchange (now PSX), and therefore the requirements set out in the Regulations cannot be treated as entirely new or novel. Regarding the Appellant's reliance on the PSX Stockbrokers Association's model AML/CFT Policy and the Commission's awareness sessions, the Respondent stated that the responsibility to draft, adopt, and implement an AML/CFT policy rested solely with the Appellant, and it was incumbent upon its Board of Directors to ensure the Policy's compliance with regulatory standards. The Respondent also asserted that the Commission had no obligation to assist any individual broker in Policy formulation and that the Appellant's AML/CFT Policy remained deficient at the time of Review. As to the Appellant's reference to the ongoing nature of AML Policy updates and the PSX's issuance of updated guidelines in April 2020, the Respondent clarified that the Review was



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conducted under the applicable framework at the relevant time and that the Appellant's Policy was evaluated accordingly which was found deficient. The Respondent also refuted the applicability of the case law cited by the Appellant, contending that the factual controversies in those decisions were materially distinguishable and thus not relevant to the present matter. The Respondent further submitted that under the Regulations, there exists no provision permitting the conversion of a penalty into a warning where violations have been established, the imposition of penalty was, therefore, lawful and justified. Lastly, the Respondent submitted that the appeal is devoid of merit and liable to be dismissed.

5. The Bench has heard both the parties at length and meticulously examined the available record. The Bench noted that pursuant to the Review conducted by the Respondent into the affairs of the Appellant to assess its compliance with the Regulations, the Respondent identified certain shortcomings in the Appellant's AML/CFT compliance framework. The Appellant was found to be in contravention of Regulation 4(a) for failing to maintain records of customers requiring account closure due to negative verification, permitting accounts to remain operative without satisfactory CDD, lacking adequate procedures for identifying beneficial ownership, and not effectively applying EDD measures. Additionally, the Appellant was in contravention of Regulations 18(c)(ii) and 18(c)(iii) for not maintaining an updated AML Policy duly approved by its BOD and failing to ensure its effective implementation. However, the Bench is mindful of the fact that the Regulations, though binding in nature, were relatively new at the relevant time having come into force only in June, 2018 and the Review was conducted in February, 2019, leaving a limited window for smaller market participants, to completely overhaul or realign their internal compliance infrastructure. The Bench further noted that the Appellant did not deny the lapses but instead placed on record that subsequent compliance had been made and appropriate remedial measures had been undertaken. The Bench is of the considered view that while regulatory obligations are of a continuing nature and contravention thereof justifiably entails penal consequences, the surrounding circumstances, including the regulatory infancy of the AML/CFT framework at the time of Review, the absence of *mala fide* intent, and the Appellant's *bona fide* efforts to rectify the deficiencies after Review, collectively constituted mitigating factors warranting a degree of leniency.

6. Accordingly, while the Bench upholds the findings of non-compliance recorded by the Respondent and affirms the applicability of the relevant provisions of the Regulations to



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the facts of the case, it finds the quantum of penalty imposed to be disproportionate in light of the mitigating considerations discussed above. Consequently, the penalty imposed vide the Impugned Order is hereby reduced from Rs. 500,000/- (Rupees Five Hundred Thousand only) to Rs. 200,000/- (Rupees Two Hundred Thousand only).

7. Accordingly, the Appeal is **disposed of** on above terms with no order as to costs.

(Abdul Rehman Warraich)  
Commissioner

(Muzzafar Ahmed Mirza)  
Commissioner

Announced on: **20 JUN 2025**