



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 89 of 2019

AKD Securities Limited

Appellant

Versus

Commissioner (SMD)

Respondent

Date of hearing:

March 13, 2025

Present:

For the Appellant:

1. Mr. Danish Aziz
2. Mr. Zafar Ahmed
3. Mr. Atta-Ur-Rehman

For the Respondent:

1. Mr. Mubasher Saeed Saddozai, Executive Director, Adjudication Department-I, SECP
2. Mr. Mahboob Ahmed, Additional Director, Adjudication Department-I, SECP
3. Mr. Muhammad Akram, Farooka Assistant Director, Adjudication Department-I, SECP

## ORDER

1. This Order shall dispose of Appeal No. 89 of 2019 filed by AKD Securities Limited (the Appellant) against the Order dated September 30, 2019 (Impugned Order) passed by the Commissioner (SMD).

*Handwritten signatures: Zafar Ahmed and ML.*



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2. The brief facts of the case are that the Appellant is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange (PSX) and is licensed as a securities broker with the Securities and Exchange Commission of Pakistan (the Commission). The inspection of the Appellant was conducted by the Commission to ascertain compliance with the requirements contained in the Anti-Money Laundering and Counter Financing of Terrorism Regulations, 2018 (the AML and CFT Regulations). The inspection revealed the following non-compliance of the AML and CFT Regulations:
  - i. In violation of Regulation 6(3) the Appellant could not provide the source of income of certain clients and failed to conduct the Customer Due Diligence (CDD) of its clients; and
  - ii. In violation of Regulation 4(a) and 4(d) of the AML and CFT Regulations, the Appellant failed to develop an independent audit function.
3. In view of the above violations, the Respondent issued the show-cause notice dated July 15, 2019 (the SCN) to the Appellant. The hearing in the matter was held on August 6, 2019. The Respondent concluded the SCN proceedings and imposed a penalty of Rs. 250,000/- on the Appellant.
4. The Appellant filed this Appeal on the grounds that the Respondent incorrectly determined that it had failed to comply with the requirements of the AML Regulations. The Appellant submitted that the alleged non-compliance with AML regulations arose not from negligence but from practical impossibility, and therefore should not be construed as a regulatory breach. The Appellant stated that CDD was carried out in accordance with the PSX Guidelines of 2012 and penalty should have been imposed only after providing an opportunity for a hearing, rather than being based solely on email correspondence. The Appellant also argued that, at the time of the inspection, the independent audit function was in place, albeit under the leadership of the Head of Compliance. The Appellant further contended that as long as the independence of the audit function is maintained, it should not matter to whom the audit arm reports.

*[Handwritten signature]* *[Handwritten initials ML.]*



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5. The Respondent submitted that the Appellant's grounds of appeal are without merit, as the facts clearly establish a breach of the AML and CFT Regulations. The Appellant's failure to update the CDD documentation constitutes a substantive violation of the regulatory obligations, which are designed to ensure that all entities maintain current and accurate client information as a core element of risk-based compliance. The Respondent further contends that the Appellant did not maintain or implement adequate internal policies, controls, or procedures to address critical components of the AML/CFT framework. Specifically, the Respondent argued that the Appellant had failed to establish an independent audit system, which is a crucial component of ensuring compliance with the AML and CFT Regulations. The Respondent stated that these deficiencies reflect a broader failure to uphold the institutional responsibility mandated under the regulations and are not merely procedural or incidental but systemic, undermining the integrity of the regulatory regime. Accordingly, the Respondent argued that enforcement action is justified and proportionate in view of the Appellant's failure to discharge their ongoing compliance obligations
  
6. The Appellate Bench (the Bench) has heard the parties and perused the record. The Bench is of the view that the Appellant's assertions are insignificant to challenge the findings of the Impugned Order because the Appellant failed to prove that it had an adequate and appropriate mechanism of screening and monitoring. The Bench has no doubt that ongoing monitoring and customer verification and maintaining an independent audit system are core to ensuring compliance with the AML and CFT Regulations and are necessary to combat money laundering activities in Pakistan. However, the Bench believes that keeping in view the severity of the violations, the quantum of penalty is on the high side. Furthermore, the intention was not malicious, and the AML and CFT Regulations were subsequently complied with. The Appellant is, however, at a nascent stage and a hefty penalty might unreasonably burden the company financially and its intention has always been to ensure full compliance. The purpose of the fine is to cause a deterrent remedial action, and in this case even if the fine is reduced, the purpose will be served. In view thereof, the Bench is inclined to reduce the

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amount of the penalty imposed on the Appellant. The Bench expects that the Appellant would fully comply with the requirements of the AML and CFT Regulations in the future.

7. In view of the foregoing, the Bench, considers it justified to reduce the penalty to Rs. 150,000/-. Accordingly, the instant Appeal is disposed of on above terms without any order as to costs.

(Abdul Rehman Warriach)  
Commissioner

(Mujtaba Ahmed Lodhi)  
Commissioner

Announced on:

05 JUN 2025