



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 90 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. 90 of 2020 filed by Bridge Securities (Private) Limited (the "Appellant") under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 against the order dated July 09, 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 holder of the Pakistan Stock Exchange ("PSX") and licensed as a securities broker with the Securities and Exchange Commission of Pakistan (the "Commission"). A limited scope thematic review (the "Review") of the Appellant was conducted by the Broker's Compliance Department of the Commission to assess compliance with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "AML Regulations") and related directives.

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Findings of the Review were communicated to the Appellant vide the 'Letter of Findings' ("LOF") dated July 13, 2019. The Review Report revealed non-compliance of Regulations 4(a) and 18(c)(iii) of the AML Regulations. For the said contraventions, a show-cause notice (the "SCN") dated May 20, 2020 was issued to the Appellant. After thoroughly examining the submissions and considering the facts of the case, the Respondent, in exercise of the powers conferred under section 40A of the Act, imposed a penalty of Rs. 175,000/- on the Appellant, for the said contraventions.

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 consistently complied with the AML Regulations and that any initial oversight in updating its AML/CFT Policy was promptly rectified. The Appellant submitted that the AML/CFT Policy was updated in accordance with the AML Regulations and was initially approved by the Board of Directors on October 15, 2018. It was subsequently submitted to the AML Department of the Commission on April 23, 2019, as part of the mandatory six-monthly reporting. The AML Department identified certain discrepancies, leading to a LOF dated July 13, 2019 and the Appellant subsequently amended the AML/CFT Policy accordingly and obtained fresh approval of its Board of Directors on July 25, 2019, and resubmitted the same. The Appellant reaffirms its commitment to regulatory compliance, asserting that its AML policies and controls effectively mitigate risks associated with money laundering and terrorist financing. 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.
4. 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 Review. The Respondent contends that the deficiencies in the AML/CFT Policy was addressed only after the findings of the Review, thereby demonstrating a failure on the part of the Appellant to ensure proactive compliance with the applicable regulatory framework. The Respondent submitted that in response to the observations highlighted in the LOF, the Appellant submitted a Board Resolution dated July 25, 2019, indicating that its AML/CFT Policy had been updated. The Respondent emphasized that the AML Regulations were promulgated in June 2018, thereby necessitating immediate compliance, however, the Appellant failed to adopt the requisite measures in a timely manner and only initiated efforts to update its AML/CFT Policy after a lag of a year. The Respondent further contends that the development of a comprehensive AML policy and procedure is a preliminary step in the implementation of an effective and robust AML compliance framework, aimed at mitigating risks associated with money laundering and terrorist



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financing. The deficiencies identified in the Appellant's AML/CFT Policy were of a serious nature and could not be disregarded, as they undermined the objectives of the AML Regulations. Consequently, the Respondent maintains that the contravention of Regulation 4(a) of the AML Regulations remains undisputed. Furthermore, the Respondent asserts that the Appellant was also in breach of Regulation 18(c)(iii) of the AML Regulations, which imposes a duty upon the Compliance Officer to monitor, review, and update the AML/CFT policy and procedures. 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.

5. 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 which were notified on June 13, 2018. The Appellant had ample time to develop policies and implement systems required to ensure compliance of the said Regulations as the Review was conducted in 2019. 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 Review. However, the Bench has taken note of the fact that the Appellant subsequently updated its AML/CFT Policy and has demonstrated a commitment to ensuring diligent and continued 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. 50,000/- 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:

07 MAR 2025