



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 96 of 2020

Time Securities (private) Limited

Appellant

Versus

Executive Director Adjudication-I

Respondent

Date of hearing:

January 30, 2025

Present:

For the Appellant:

Mr. Shafqat Waqas, Authorized Representative

For the Respondent:

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

## ORDER

1. This Order shall dispose of Appeal No. 96 of 2020 filed by Time Securities (Pvt.) Limited (the Appellant) against the Order dated July 29, 2020 (Impugned Order) passed by the Executive Director (Adjudication Department – 1).
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



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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 4(a) and 13(7) the Appellant could not provide evidence substantiating that its screening system possess the ability to identify the proscribed organizations notified through various SRO's to prevent the Appellant from establishing a business relationship with such organizations/individuals.
  - ii. In violation of Regulation 6(3)(c) of the AML and CFT Regulations, the Appellant failed to change the status of client as a retired person despite the availability of proof of the clients retirement.
  - iii. In violation of Regulation 6(2), 6(3)(a) and 9(4)(b) the Appellant failed to take requisite measures in accordance with the regulations at the time of establishing relationship with the client identified in inspection and during the hearing the authorized representatives informed that client could not be contacted despite efforts of the respondent.
3. In view of the above violations, the Respondent issued the show-cause notice dated July 12, 2020 (the SCN) to the Appellant. The Appellant submitted a written reply to the SCN vide letter dated May 08, 2020 and hearing in the matter was held on July 13, 2020. The Respondent concluded the SCN proceedings and imposed a penalty of Rs. 300,000/- 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 respectfully submits 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 matter concerns a single instance involving one customer whose account has remained inactive for over 15 years, coinciding with the Appellant's retirement, and who has not executed any trade in the past two years, clearly indicating an absence of any ongoing business relationship. Despite this, the Appellant made multiple efforts to update the

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KYC/CDD documentation by sending repeated reminders to the customer, none of which elicited any response. In light of the customer's dormancy, the lack of cooperation, and the absence of any active transactions, the Appellant contends that this isolated and low-risk instance should not attract penal consequences. The regulatory intent behind AML compliance is risk mitigation, and in this case, the risk is demonstrably negligible. Accordingly, the Appellant submits that any enforcement action under these facts would be disproportionate and contrary to the principles of equity and reasonableness

5. The Respondent submits that the Appellant's grounds of appeal are without merit, as the facts clearly establish a breach of the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Regulations. The Appellant's failure to update the Know Your Customer (KYC) and Enhanced Due Diligence (EDD) 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. These deficiencies reflect a broader failure to uphold the institutional responsibility mandated under the regulations. As such, the non-compliance is not merely procedural or incidental but systemic, undermining the integrity of the regulatory regime. Accordingly, the Respondent argues 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 are core to the AML Regulations and are necessary to combat money laundering activities in Pakistan. Furthermore, it was obligatory for the Appellant to ensure a

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thorough ongoing monitoring mechanism of its clients. 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. The purpose of the fine is to cause a deterrent the enforce 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 amount of the penalty imposed on the Appellant. The Bench expects that the Appellant would fully comply with the requirements of the AML/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 MAY 2025**