



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 98 of 2023

M/s. Akhai Securities Private Limited

Versus

...Appellant

Additional Director, Adjudication Department-I

...Respondent

Date of hearing:

February 6, 2025

Present:

For the Appellant:

1. Mr. M. Shafqat (Authorized Representative)
2. Mr. M. Shafi

For the Respondent:

1. Mr. Mahboob Ahmad, Additional Director, Adjudication-I, SECP
2. Mr. Muhammad Faisal, Assistant Director, Adjudication-I, SECP
3. Mr. Hammad Ahmed, Management Executive, Adjudication-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 98 of 2023 filed by Akhai Securities (Private) Limited (the "Appellant") against the Order dated September 12, 2023 (the "Impugned Order") passed by the Additional Director, Adjudication Department-I, Securities and Exchange Commission of Pakistan (the "Respondent") under the Securities and Exchange



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Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the "Regulations").

2. The brief facts of the case are that the Appellant, Akhai Securities (Private) Limited, is registered under the Insurance Ordinance, 2000, to undertake the business of life insurance in Pakistan. The Securities and Exchange Commission of Pakistan (the "Commission") conducted a joint inspection (the "Inspection") to assess the Appellant's compliance with the Securities and Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the "Regulations"). During the Inspection, several violations were identified, including: (i) failure to maintain effective Customer Due Diligence (CDD) and Know Your Customer (KYC) procedures, in violation of Regulations 8 and 9; (ii) failure to validate client identity documents through the NADRA *Verisys* system, breaching Regulation 9; (iii) failure to provide written justification for categorizing clients as 'low-risk', in violation of Regulation 23(2); and (iv) failure to provide the source of income for two clients, in contravention of Regulation 11. As a result of these findings, the Respondent issued a Show-Cause Notice (SCN) to the Appellant on July 7, 2023. The Appellant submitted its written response, and hearing was held in the matter on August 16, 2023. Consequently, the Respondent imposed a penalty of Rs. 170,000 on the Appellant for the identified violations.
3. The Appellant filed an appeal before the Appellate Bench (the "Bench"), *inter alia*, on the grounds that the Respondent erred in holding that the Appellant violated various provisions of the Regulations. The Appellant argued that the Inspection and subsequent actions by the Respondent were conducted in an expedited and unusual manner, which created significant challenges for the Appellant in complying with all required documentation and information within the compressed timeframe.
4. Specifically, the Appellant challenged the fast-tracked Inspection process, which commenced immediately after the issuance of the Inspection Order and concluded within just seven (7) days. The Appellant contended that the expedited nature of the Inspection did not allow sufficient time for the provision of all necessary information and data as



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requested by the Joint Inspection Team (JIT). Additionally, the Appellant emphasized that the requirement to provide comments within five (5) days after receiving the Inspection Report was unrealistic and placed undue pressure on the Appellant, thereby compromising its ability to fully comply with the expectations of the Inspection team.

5. The Appellant further submitted that, in accordance with standard procedures, the Inspection Report and its findings should have been shared with the Appellant for review, providing the opportunity to offer additional explanations or corrections before the final findings were submitted to the Respondent. The Appellant argued that this procedural oversight was detrimental to its rights and constituted an irregularity in the Inspection process.
6. Regarding the Respondent's SCN, the Appellant contended that the findings were primarily based on the Inspection Report and were presented as conclusive without adequately considering the Appellant's response. The Appellant emphasized that the observations in the SCN were identical to the final conclusions of the Inspection team, which had already concluded the investigation. The Appellant argued that it should not have been penalized without being given a fair opportunity to address and rectify any identified deficiencies. Furthermore, the Appellant asserted that the Respondent did not fully consider the explanations provided during the hearing and in the written response to the SCN dated August 7, 2023. The Appellant contended that any penalties or actions taken without the opportunity to fully present its case undermined the due process protections to which it is entitled.
7. Additionally, the Appellant submitted that its written responses, including detailed explanations for the non-compliance cited in the SCN, were comprehensive and supported with evidence and requested the Bench to reassess the Respondent's decision to impose such a penalty.
8. The Respondent refuted the Appellant's assertions, emphasizing that the Inspection was conducted in accordance with the established mandate and procedures. The Respondent



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pointed out that the Appellant acknowledged that the Inspection Report was duly shared with them and that regardless of the Inspection timeline, the Appellant was still obligated to comply with the applicable laws and Regulations. The Respondent further stated that the Inspection findings revealed the Appellant's non-compliance with several provisions under the Regulations. Although the Appellant provided explanations for the non-compliance, the Respondent maintained that these explanations were neither plausible nor sufficient, resulting in their rejection.

9. The Respondent also denied the Appellant's claim that it had not been given sufficient opportunity to address the allegations. The Respondent asserted that the Appellant was afforded a fair and adequate opportunity to rebut the allegations outlined in the SCN, however, the Appellant failed to provide satisfactory responses. The Respondent reiterated that the Appellant's failure to effectively address the violations—particularly those relating to Regulations 8, 9, Note (ii) of Annexure-1, Note (i)(o) of Annexure-1, Regulation 11, and Regulations 23(2) and 25(1)(a)—left the Respondent with no choice but to impose the penalty. The Respondent submitted that the penalty was imposed in line with the severity of the non-compliance, following a thorough review of the case, and in accordance with the applicable laws.
10. In light of the above, the Respondent maintained that all procedural actions taken were fair and in compliance with relevant legal standards and that the Appellant's attempts to dispute the findings and the penalty do not alter the fact that the violations were substantial, and the penalty was appropriately imposed in accordance with the governing Regulations.
11. In view of the above, the Bench acknowledges the Respondent's assertion that the procedural actions taken during the Inspection were in compliance with the relevant legal standards. However, after a careful review of the case, the Bench recognizes that while the violations committed by the Appellant were indeed substantial, certain mitigating factors justify a reconsideration of the penalty. Although the Appellant failed to fully comply with the required Regulations, it did cooperate with the Inspection process and made reasonable efforts to respond to the SCN.



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12. Considering these factors, the Bench finds that the original penalty of Rs. 170,000 was disproportionate in light of the Appellant's partial cooperation and procedural irregularities. Therefore, the Bench deems it appropriate to reduce the penalty to Rs. 70,000.

13. Consequently, the appeal is hereby dismissed, with no order as to costs.

(Zeeshan Rehman Khattak)
Commissioner

(Mujtaba Ahmad Lodhi)
Commissioner

Announced on:

07 APR 2025