



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s. Dalal Securities (Private) Limited
Show Cause Notice No. & Date:	No. 2(238) SMD/Adj-I/2020-297 dated March 27, 2025
Respondents:	M/s. Dalal Securities (Private) Limited
Date of Hearing:	May 14, 2025
Case represented by:	(i) Muhammad Siddique Dalal, Chief Executive Officer; (ii) Muhammad Anees, Company Secretary; (iii) Muhammad Munir, Compliance Officer; and (iv) Muhammad Farrukh (As Authorized Representatives)
Provision of law involved:	Under Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 and Rule 4(1)(A) and 6(1) of the AML/CFT Sanction Rules, 2020 read with Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the financing of Terrorism and Countering Proliferation Financing) Regulations, 2020
Date of Order:	July 15, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through the Show Cause Notice No. 2(238) SMD/Adj-I/2020-297 dated March 27, 2025 (the "SCN") against M/s. Dalal Securities (Private) Limited (the "Company"), issued under Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (the "AML Act") and Rule 4(1)(A) and 6(1) of the AML/CFT Sanction Rules, 2020 (the "AML Sanction Rules") read with Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 (the AML Regulations).

2. The provisions of regulation 9(b) of the AML Regulations require that the regulated person shall verify the identity of the customers using reliable and independent documents, data and information as set out in Annex 1 of the AML Regulations. Regulation 11 of the AML Regulations requires that a regulated person shall identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner by using reliable and independent document, data or sources of information as set out in Annex 1 of AML Regulations, so that the regulated person is satisfied that it knows who is the beneficial owner. Further, the provisions of regulation 21(2) of the AML Regulations prescribe Enhanced Due Diligence (EDD) measures which includes obtaining the approval of senior management to commence or continue the business relationship with the client.

4. Brief facts of the case are that the Company is a securities broker and a regulated person as per the definition under Clause (r) of regulation 3(1) of the AML Regulations and is a Trading Rights Entitlements Certificate (TREC) holder of Pakistan Stock Exchange (PSX). The inspection of the Company was carried out by the Joint Inspection Team, comprising of officials from PSX, Central Depository Company of Pakistan Limited (CDC) and National Clearing Company of Pakistan (NCCPL), for the period July 01, 2024 to September 30, 2024 to ascertain its compliance with the requirements stipulated under the AML Regulations. The findings of the inspection team were shared with the Company vide letter dated November 12, 2024 to which the Company replied on November 15, 2024 and the inspection report was finalized on December 11, 2024 and the Company was, *prima facie*, found non-compliant with the provisions of AML Regulations detailed as under:

- a. The Company failed to provide evidence of senior management's approval as per EDD measures before the account opening of following ten (10) high risk clients in contravention of Regulation 21(2)(e) of AML Regulations:

S. No	CDC #	Client Code
1	6717	5274
2	6899	5452
3	5635	5635
4	4076	4076
5	5082	5082
6	5451	5451
7	5460	5460
8	5463	5463
9	5625	5625
10	5642	5643

- b. The Company failed to map the beneficial ownership of four (4) clients and failed to perform KYC/CDD and screening of the beneficial owners in contravention of Regulation 9 and 11 of AML Regulations. Details of the clients are provided as under:

S. No:	CDC #	Status
1.	1106	The client is a house wife who opened her account in 2001 and as on September 30, 2024, held custody of securities amounting to PKR 13.06 Million. Dividend/Zakat & Tax deduction summary report was provided as evidence of source of funds which showed net-dividend of PKR 0.58 Million received during July 01, 2023 to June, 30, 2024. Further, Tax Profile enquiry from the website of FBR was also provided, However, the documents provided by the client is not a sufficient evidence to establish source of funds.
2.	1007	The client is a house wife who opened her account in 2001 and as on September 30, 2024, held custody of securities amounting to PKR 5.87 Million. Dividend/Zakat & Tax deduction summary report was provided as evidence of source of funds which showed net-dividend of PKR 63,784 received during July 01, 2020 to June, 30, 2021. Additionally, evidence of old one-year term deposit of Dubai Islamic bank showing deposit of PKR 3.5 Million was provided. However, the documents provided by the client is not a sufficient evidence to establish source of funds.
3.	9190	The client is a house wife who opened her account in 2013 and as on September 30, 2024, held custody of securities amounting to PKR 232.77 Million. Dividend/Zakat & Tax deduction summary report was provided as evidence of source of funds which showed net-dividend of PKR 2.04 Million received during July 01, 2019 to June, 30, 2020. Further, the account maintenance certificate of Dubai Islamic bank showing a deposit of PKR 209.8 Million and a profit of PKR 15.78 Million on term deposit certificate balance was provided as source of funds. However, the documents provided by the client is not a sufficient evidence to establish source of funds.

		Furthermore, despite being high net worth client, low-risk rating was assigned instead of high-risk rating and consequently, EDD procedures were not performed.
4.	7558	The client is a house wife who opened her account in 2011 and as on September 30, 2024, held custody of securities amounting to PKR 105.16 Million. Dividend/Zakat & Tax deduction summary report was provided as evidence of source of funds which showed net-dividend of PKR 37.66 Million received during July 01, 2020 to June, 30, 2021. Further, tax return of 2021 shows on-demand deposit of PKR 3.07 Million. However, the documents provided by the client is not a sufficient evidence to establish source of funds. Furthermore, despite being high net worth client, low-risk rating was assigned instead of high-risk rating and consequently, EDD procedures were not performed.

5. The aforesaid violations attract the penal provisions contained in regulation 31 of the AML Regulations read with Section 6A(2)(h) of the AML Act and Rule 4(1)(a) and 6(1) of the AML Sanctions Rules. The relevant provisions of the law are as under;

6. While taking cognizance of the matter, SCN was served on the Company calling upon it to show cause in writing within 14 days of the date of the SCN as to why penalty may not be imposed on it for contravening the aforesaid provisions of the law. In response the Company vide Letter dated April 14, 2025, *inter-alia*, stated that; (relevant extracts);

"Point No. 7a

In reference to AML Regulation 21(2)(e), it is clarified that the required evidence of senior management approval was already provided to the inspection team. These approvals were documented within the "EDD/KYC" section of our Account Opening Forms. It is possible that these documents were inadvertently overlooked during the review process. Nevertheless, we are resubmitting the complete documentary evidence confirming the senior management's/CEO's approval for the 10 High-Risk Clients, in full compliance with AML Regulations 21(2)(e).

Point No. 7b

With regards to AML Regulation 25(1)(a), we confirm that the beneficial ownership information for the four mentioned clients was shared with the inspection team, along with relevant KYC/CDD and screening documentation. Kindly note that in all four cases, the beneficial owner is the account holder (self).

Details of the clients are as follows;

CDC Account No. 1106

Account opened in 2001, with active trading since inception. The rise in investment value is attributable to the upward trend in the stock market. Comparing only the one-year annual income to the total portfolio value accumulated since 2001 does not provide a fair assessment. We are enclosing Comprehensive evidence of the client's source of income.

- (i) Around 10 million Gift deeds*
- (ii) Dividend/Zakat & Tax Deduction Summary report since 01-07-2018 to 30-09-2024*
- (iii) Income Tax Return 2020,2021,2022, 2023 and 2024 (5Years)*

CDC Account No.1007

Similar to the above, the account has been active since 2001. The value growth is a result of long-term market performance. Supporting documents on income sources enclosed. The family

was residing in Jeddah (Saudi Arabia) over more than 33 years. The main source was foreign remittances certificate enclosed.

- 1) The source of funds is and was sending family remittances certificate

CDC Account No. 9190

Account opened in 2013. The client has been trading since that time, and investment growth is aligned with market trends. Comprehensive source of income documentation is enclosed. After completing the EDD process categorized this client as "Low risk"

- (i) Gift deeds
- (ii) Income Tax Return 2020, 2021, 2022, 2023 and 2024 (5 years)

CDC Account No. 7558

Account opened in 2011 with consistent trading activity. The investment value reflects cumulative market performance. Supporting income documents are enclosed. EDD assessment categorized this client as "Low Risk"

- a. Income Tax Return-2021 (Mentioned in return all Sources of funds)
- b. Copy of Form-A submitted by Al-Karam Textile Mills with SECP
- c. Dividend Income Withholding Tax Deduction Challan

Furthermore, to this, the KYC/CDD Check list of cases is written in the questionnaire, Section E, point 2 (Is the person a high net worth individual with no identifiable source of income or her profile does not match with the size and quantum of investment), then we will be able to select optional choices as per our scrutiny done after performing CDD/EDD by obtaining and verifying all sources of income and if the answer is No we have to continue Section G1 as per instructions. Which is Low risk. All these documents are already shared with your inspection Team, but the huge quantum of documents we share sufficient example basis documents and now we are submitting more EDD documents which will be satisfactory evidence and fully complied"

7. In order to provide an opportunity of personal representation, hearing in the matter was fixed for May 14, 2025 in which Muhammad Siddique Dalal, Chief Executive Officer; Muhammad Anees, Company Secretary; Muhammad Munir, Compliance Officer; and Muhammad Farrukh on the behalf of the Company appeared as their Authorized Representatives (**the Authorized Representatives**) and, *inter alia*, submitted as under:

- (i) Senior management/CEO approvals for 10 High-Risk Clients were included in the EDD/KYC section of the Account Opening Forms; resubmitted for clarity;
- (ii) beneficial ownership details for the four clients were provided; in all cases, the account holder is the beneficial owner;
- (iii) Comprehensive EDD/KYC documentation—including income tax returns, gift deeds, remittance certificates, and dividend records—has been submitted vide our reply; and
- (iv) All clients were assessed through the CDD/EDD process and categorized as Low Risk; additional supporting documents now provided for full compliance.

8. I have given due consideration to the written as well as verbal submissions and arguments extended by the Company and its Authorized Representatives, applicable provisions of the law and the material available on record. At this juncture, it is essential to address the following factual and legal elements:

- i. With respect to the requirement under Regulation 21(2)(e) of the AML Regulations regarding obtaining senior management approval prior to establishing business relationships with high-risk clients, the Company submitted evidence of CEO approval for all ten (10) clients identified in the Show Cause Notice. The approvals in all these cases excluding one instance were dated prior to

the inspection period, thereby the Company is compliant and therefore, it is not held liable for contravention of Regulation 21(2)(e) of the AML Regulations except in one instance wherein CEO approval was obtained in March 2024, i.e., after the inspection period.

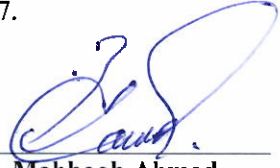
ii. With regard to the details of beneficial ownership and source of earnings/ income of four (4) clients, the following is noted:

- a. *CDC Sub A/c. No. 1106* – the Company submitted gift deeds amounting to Rs. 10 million dated back to 2021. Moreover, the Company also submitted tax returns of the client for the year ended 2020, 2021, 2022, 2023 and 2024 which also reflect investment in securities in commensuration with the custody held in the account and the Company submitted that the beneficial owner of the account is marked as self and recorded in their database. In view of the documentary evidences and submissions of the Company, it may not be held accountable in this instance.
- b. *CDC Sub A/c. No. 1007* – the Company submitted documentary evidence of foreign remittances received in the client's account in the years 2008, 2010, and 2021, from family members residing in Saudi Arabia and the UAE, along with a salary slip dated March 27, 2014, of a family member employed in the UAE. These documents indicate that the client has been financially supported by family members abroad, and the volume of remittances appears sufficient to justify the level of investment held in the account. In light of the evidence provided, the Company is not held accountable in this instance. However, it is advised to ensure that the beneficial ownership of the client is appropriately recorded in its database.
- c. *CDC Sub A/c. No. 9190* – the Company submitted documentary evidences of gift deeds in the matter of funds received by the client from a sibling which are dated back to 2021, 2024, 2022, 2023, 2019, 2020 along with tax returns for the period ended 2020, 2021, 2022, 2023 and 2024. The documentary evidences in respect of funds received as gifts commensurate with the level of investment in the clients' accounts and the investment in securities are also reflected in the tax returns of the client for the afore-said period. In light of the evidence provided, the Company is not held accountable in this instance. However, it is advised to ensure that the beneficial ownership of the client is appropriately recorded in its database.
- d. *CDC Sub A/c. No. 7558* – the Company submitted the client's tax return for the period ended 2021, reflecting investments in securities amounting to Rs. 22 million, along with Form A of a listed company indicating that the client is a shareholder in a private limited textile mills company. However, no documentary evidence has been provided to establish the source of the client's earnings or income, nor has any recent tax return been submitted. In view of the deficient documentation to verify the client's source of funds and beneficial ownership, the Company is held accountable in this instance for contravention of Regulations 9(b) and 11 of the AML Regulations.

9. Keeping in view of the aforesaid, contravention of regulations 9(b), 11 and 21(2)(e) of the AML Regulations at relevant point in time is established in two (2) instances, which attracts the penal action as provided under regulation 31 of the AML Regulations read with Section 6A(2)(h) of the AML Act and rules 4(1)(a) and 6(1) of the AML Sanctions Rules. I, therefore, in exercise of powers conferred upon me under Section 6A(2)(h) of the AML Act, impose a penalty of **Rs. 20,000/- (Rupees Twenty Thousand Only)** on the Company on account of afore-said established default.

10. The Respondents are, hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 485 of the

Act will be initiated for recovery of the penalty/fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.



Mahboob Ahmad
Additional Director/ HOW
Adjudication Department-I

Announced:
July 15, 2025
Islamabad