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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**Adjudication Department- I****Adjudication Division**

ORDER	
Name of Company:	M/s. Security Investment Bank Limited
Number and Date of Show Cause Notice (the SCN):	SCD/Adj-1/SIBL/63/2019-762 dated August 27, 2025
Date(s) of Hearing(s):	September 29, 2025
Case represented by:	i. Mr. Zafar M. Sheikh, Chief Executive/ President ii. Shakeel Ahmed, Chief Financial Officer iii. Mr. Tehseen Ul Haq, Head of Operations iv. Buniad Haider, Regional Manager (the Authorized Representatives)
Provisions of law involved:	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 for contravention of Regulations 25(1)(a) and 27(1)(c) thereof.
Date of the Order:	October 21, 2025

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. SCD/Adj-1/SIBL/63/2019-762 dated August 27, 2025 ("SCN") by the Securities and Exchange Commission of Pakistan (the "Commission") against M/s. Security Investment Bank Limited (the "Company") issued under Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (the "AML Act") and Rules 4(1)(a) and 6(1) of the AML/CFT Sanctions Rules, 2020 (the "AML 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") in respect of contravention of Regulations 25(1)(a) and 27(1)(c) thereof.

2. The provisions of regulation 25(1)(a) of the AML Regulations requires that the regulated person shall undertake TFS obligations under the United Nations (Security Council) Act, 1948 and/or Anti-Terrorism Act, 1997 and any regulations made there under, including

(a) developing mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential matches with the stated designated/proscribed persons notified through SROs/notification issued by Ministry of Foreign Affairs (MoFA), National Counter Terrorism Authority (NACTA) and Ministry of Interior (MoI).

3. Furthermore, the provisions of regulation 27(1)(c) of the AML Regulations requires that every regulated person shall implement an ongoing employee training program as part of its internal policies, procedures, and controls for effective implementation of its compliance program as set out in Section 7G of the AML Act.

4. The brief facts of the case are that the Company was incorporated on May 23, 1991 as a public limited company under the repealed Companies Ordinance, 1984 (the "Ordinance") (now the Companies Act, 2017) and was licensed by the Commission as a Non-Banking Finance Company (NBFC) to carry out the business of investment finance services. The Company is a regulated person as per definition provided at Clause (r) of Regulation 3(1) of the AML Regulations.

5. An inspection of the Company was conducted vide inspection order No. SECP/OD/SIBL/2024-25/468 dated August 29, 2024, issued under Section 282I of the Ordinance and Section 6A(2)(f) of the AML Act read with SRO 380(I)/2021. The inspection period covered from July 01, 2023 to June 30, 2024 (the "Inspection Period") with the scope of the inspection to *inter alia* assess compliance status of the Company with the applicable regulatory framework, along with review of operational activities, governance, internal control as well as AML/CFT compliance. The Inspection Team (the Team) shared its findings with the Company through a Letter of Finding dated December 23, 2024 (LOF), and the comments received thereon vide letter dated July 12, 2024 from the Company were duly included in the Inspection Report dated March 03, 2025 (the Inspection Report). The inspectors in Inspection Report made the following findings:

- (i) The Company's screening system failed to detect the following proscribed persons on entering the details of CNICs, which were present in United Nations Security Council's (UNSC) list, showing that the system is not adequately configured or updated to identify and block transactions involving high-risk individuals:

Name	CNIC	Place of Birth
Haji Muhammad Ashraf	61101-2531250-7	Faisalabad, Pakistan
Abdur Rehman	44103-5251752-5	Mirpur Khas, Pakistan
Abdul Basir	54201-2467918-7	Baluchistan, Pakistan

Further, the Company does not maintain detailed records of directors or individual clients and does not perform screening of same who are onboarded for financing, which may result in incomplete customer information being included in the screening process; thereby, *prima facie*, contravening the requirements of Regulation 25(1)(a) of the AML Regulations. On sharing the LOF, the Company responded in the following manner:

"the lapse is regrettable and unforeseeable. However, measures are being taken to ensure the proper screening".

- (ii) The Company lacks a structured, ongoing AML training program for its employees, as required under Regulation 27(1)(c) of the Regulations which mandates continuous employee training; thereby, *prima facie*, contravening the requirements of Regulation 27(1)(c) of the AML Regulations. On sharing the LOF, the Company responded in the following manner:

"this lapse will be addressed shortly and will schedule regular training sessions".

6. The aforementioned violations attract the applicability of Section 6A(2)(h) of the AML and Rule 4(1)(a) and Rule 6(1) of the AML Rules read with Regulation 31 of AML Regulations. The relevant provisions of the law are reproduced hereunder:

Section 6A(2)(h) of the AML Act:

"(h) impose sanctions, including monetary and administrative penalties to the extent and in the manners as may be prescribed, upon their respective reporting entity, including its directors and senior management and officers, who violates any requirement in section 7(1), 7(3) to 7(6) and 7A to 7H and any rules or regulations made thereunder or those who fail to comply with the TFS regulations. Any person aggrieved by the imposition of sanctions under this clause may prefer an appeal in such manner and within such period to such authority as may be prescribed;"

Rules 4(1)(a) of the AML Rules:

"(a) Impose a monetary penalty in accordance with these Rules;"

Rule 6(1) of the AML Rules:

"(1) The AML/CFT Regulatory Authority shall apply monetary penalties upto Rs. 100 Million per violation, in accordance with the risk-based penalty scale of the respective AML/CFT Regulatory Authority."

Regulations 31 of the AML Regulations:

"(1) Any contravention of these regulations shall be cognizable by the Commission in accordance with section 6A of the AML Act and liable to sanction provided in the AML/CFT Sanctions Rules, 2020 and imposed by the Commission according to Clause (h) of Sub-section (2) of Section 6A of AML Act."

7. While taking cognizance in the matter, a SCN was issued to the Company calling upon it to show the cause in writing as to why penalty as provided under Section 6A(2)(h) of the AML Act and Rules 4(1)(a) and 6(1) of the AML Rules read with Regulation 31 of the AML Regulations, may not be imposed for contravening Regulations 25(1)(a) and 27(1)(c) of the AML Regulations. In response to the SCN the Company vide its letter dated September 25, 2025 *inter alia* has submitted as under:

1. *Section 6A(2)(h) postulates that for violations of sections 7(1), 7(3) to (6) and 7A to 7H, the AML Regulatory Authority can impose penalties on the recalcitrant reporting entity. The Security Investment Bank Limited (SIBL) is a non-deposit taking NBFC and as it does not take any deposits, it is essentially exempt from filing Suspicious Transaction Reports (STRs), which is required under section 7(1) to (6) of the AML Act. Therefore, the dangers and risks of using SIBL by any particular customer are negligible.*
2. *The allegations relate to violations of Sections 7G and 7H of the AML Act, as SIBL's screening system failed to detect three out of six names. SIBL stated that the data was obtained from available screening resources and, after the error was identified, a more robust and up-to-date system has been implemented.*
3. *The SIBL is a non-deposit taking NBFC and the chance of it being used by any customer to deposit monies or proceeds of crime are non-existent. Be that as it may, and this is no excuse, we have since appointed Mr. Kamran Muqem as dedicated compliance resource, who is a trained and certified AML/CFT professional.*
4. *To ensure continuous compliance and confirm that a robust and structure system is in place against any future contingency, a dedicated resource has conducted two in-house AML/CFT training sessions for all staff and submitted evidence of conducting AML/CFT trainings. The SIBL's Manager Credit Risk Management also attended training session from Banking Development Institute regarding eCIB, Credit Risk assessment, Risk Management and Compliance of AML/CFT.*
5. *A comprehensive re-screening of the entire financing portfolio has been conducted and SIBL is committed to maintaining strict compliance with AML/CFT regulations going forward and by taking these corrective measures and strengthened controls, the likelihood of recurrence of such observation has been eliminated."*

8. In order to provide an opportunity for personal representation, hearing in the matter was fixed on September 29, 2025 wherein Mr. Zafar M. Sheikh (Chief Executive/ President), Mr. Shakeel Ahmed (Chief Financial Officer), Mr. Tehseen Ul Haq (Head of Operations) and Mr. Buniad Haider (Regional Manager) appeared as the Authorized Representatives of the Company (the "Authorized Representatives"). During the course of the hearing, the Authorized Representatives reiterated the arguments as provided in their written reply to the SCN and further stated that during the inspection due to technical glitch the proscribed persons entries

were not traced out, however, it is ensured that the database has been rechecked and it is up-to-date in all respect. In respect of training to employees of Company, the Authorized Representatives stated that the training of employees was discontinued due to resignation of Concerned officer, however, the Company has appointed the compliance officer against the vacant post who is a specialist in AML/CFT functions and providing AML/CFT related trainings to Company's employees.

9. Subsequent to the hearing proceedings, the Company submitted letter dated October 13, 2025, wherein stated as under:

- (i) *The screening system has now been fully updated and is operational. A comprehensive re-screening of entire financing portfolio has been conducted, no proscribed person cases were found during re-screening.*
- (ii) *The "AML/CFT training session" for all staff is conducting by dedicated compliance resource on regular basis, ensuring compliance with SECP's observation."*

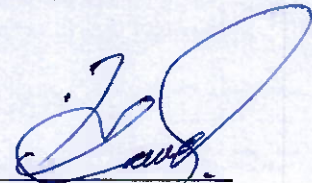
10. I have reviewed the facts of the case, the relevant provisions of law and to meet the end of justice in a bona fide manner considered the verbal and written submissions made by the Authorized Representatives. At this juncture, it is important to discuss the following legal and factual elements:

- (i) With regard to the non-detection of three proscribed persons whose particulars were included in the United Nations Security Council (UNSC) list, the Authorized Representatives of the Company acknowledged the lapse and attributed it to an unforeseeable system glitch during the inspection rather than deliberate non-compliance. The deficiency, however, reflected an operational gap in ensuring real-time synchronization of the Company's screening systems with the latest proscribed persons lists and notifications issued by relevant authorities, including MoFA, NACTA, and Mol. The Company explained that the lapse was inadvertent and does not indicate any weakness in its overall compliance culture. It was further noted that subsequent to the inspection, the Company carried out extensive remedial measures, which includes a complete upgradation of its screening database and system architecture to enhance accuracy and real-time data mapping. The Company also conducted a comprehensive re-screening of its entire financing portfolio to ensure that none of the afore-said proscribed person was ever linked to its customer base or transactions and found no one of its customer is proscribed person. The Company has also undertaken that mechanisms for continuous system monitoring, regular updates, and verification have been implemented to prevent any recurrence of such system glitch/oversight in future.
- (ii) In respect of the observation regarding the absence of a structured and ongoing AML/CFT training program for employees, the Authorized Representatives acknowledged that regular and formalized trainings were not being conducted during the Inspection Period due to resignation of Concerned officer. The Company has appointed a dedicated compliance officer possessing relevant AML/CFT certification and professional expertise to oversee this critical function. The Company has provided record of in-house AML/CFT training sessions for its employees, covering areas such as customer due diligence, sanctions screening, and reporting obligations. The Authorized Representatives also assured that such trainings will now form a regular part of the Company's compliance calendar, ensuring continuous capacity building and awareness among employees in line with the requirements of Regulation 27(1)(c) of the AML Regulations.

11. In view of foregoing, the contraventions of Regulations 25(1)(a) and 27(1)(c) of the AML Regulations have been established which attract the applicability of Section 6A(2)(h) of the AML Act and Rules 4(1)(a) and 6(1) of the AML Rules read with Regulation 31 of the AML Regulations. However, considering the measures undertaken by the Company, including the upgradation of its screening system, the comprehensive re-screening

of its customer portfolio, and the conducting regular AML/CFT trainings by a designated compliance professional, I am inclined to take a lenient view in the matter. I, therefore, in terms of powers conferred under Section 6A(2)(h) of the AML Act read with Regulation 31 of the AML Regulations and S.R.O. 827(I)/2022 dated June 09, 2022, conclude the proceedings with a stern **WARNING**, advising the Company to ensure strict and meticulous compliance with the requirements of the AML Regulations in letter and spirit, and to maintain robust internal controls to prevent recurrence of such deficiencies in future.

12. Without prejudice to the above, in case the Company is aggrieved by this Order may, within thirty days of the Order, may prefer to file review application in terms of Section 32B of the Securities and Exchange Commission of Pakistan Act, 1997 (SECP Act) or may file an appeal to Appellate Bench of the Commission in terms of Section 33 of the SECP Act in accordance with the procedure for filing an appeal as laid down under the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.



(Mahboob Ahmad)

Additional Director / Head of Wing
Adjudication Department-I

Announced:
October 21, 2025
Islamabad.