



780

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

<b>ORDER</b>	
Name of Company:	<b>M/s. 128 Securities (Private) Limited</b>
Show Cause Notice No. & Date:	1(68)SMD/Adj-I/LHR/2019-697 dated July 10, 2025
Date of Hearing:	August 13, 2025
Case Represented by:	(i) Mr. M. Shahzad Haider Zaidi, Director; and (ii) Mr. Shafqat Ali, Managing Partner- M/s. Afras & Company <i>(As the Authorized Representatives of the Company)</i>
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
Order dated:	September 11, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “**Commission**”) through Show Cause Notice No.1(68)SMD/Adj-I/LHR/2019-697 dated July 10, 2025 (“**SCN**”) in the matter of **M/s. 128 Securities (Private) Limited** (the “**Company**”) 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 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 4 of the AML Regulations mandate the regulated persons to take appropriate steps to identify, assess and understand its money laundering, and terrorism financing risks for customers, countries or geographic areas and products, services, transactions or delivery channels. In terms of Clause (r) of Regulation 3(1) of the AML Regulations, the securities brokers are included within the scope of regulated persons. Furthermore, the aforesaid Regulation 4 of the AML Regulations *inter alia* requires the regulated persons to document their risk assessments and have appropriate mechanisms to provide risk assessment information to the Commission. Accordingly, the Commission issued S.R.O. 920(I)/2020 dated September 28, 2020 (the “**SRO 920**”), as amended vide S.R.O. 197(I)/2021 dated February 12, 2021 (the “**SRO 197**”), whereby all Regulated Entities (including securities brokers) were directed to comply with the following reporting requirements and submit information in the manner prescribed therein:

***A. Annual risk assessment and control/compliance assessment framework based on data and information as on March 31<sup>st</sup>, to be filed by April 30<sup>th</sup> each Financial Year (“FY”).***

3. The relevant provisions of law are reproduced as under:

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

***“(2) AML/CFT regulatory authority shall exercise and perform the following powers and functions with respect to its reporting entities, namely: —***

***(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”***

***Rule 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."*

**Regulation 4 of the AML Regulations:**

*"4. Risk Assessment - The regulated person shall take appropriate steps in accordance with section 7F of the AML Act to identify, assess and understand its money laundering, and terrorism financing risks for customers, countries or geographic areas and products, services, transactions or delivery channels. The regulated person shall:*

- (a) document their risk assessments;*
- (b) consider all the relevant risk factors before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied;*
- (c) keep their risk assessments up to date;*
- (d) categorize its own overall entity level risk as high, medium or low based on the result of risk assessment; and*
- (e) have appropriate mechanisms to provide risk assessment information to the Commission."*

**SRO 920(I)/2020 dated September 28, 2020:**

*"A. Annual risk assessment and control/compliance assessment framework based on data and information as on 30 June, to be filed by 31<sup>st</sup> July of each financial year ("FY"), starting from the date of notification of this directive, and as instructed from time to time by the Commission.*

- a) Risk Assessment Framework: Regulated Entities should undertake and submit their internal annual risk assessment which should be aligned with the risks identified in the latest National Risk Assessment of the country and cover the process adopted for risk identification. The risk assessment methodology should cover the risk emanating from customers, products, geography and delivery channels, elaborate risk tolerance level and assess residual risk after implementation of mitigation measures. Regulated Entities are encouraged to use the template given in Annex 1 to the Guidelines for reference, but may choose their own risk assessment methodology that best suits or represents their business covering the aforementioned risks, in light of the AML Act, 2010 and the Regulations. The risk assessment report should be reviewed and approved by the board of Page 2 of 4 directors of the Regulated Entities and shall be signed by the chief executive officer/ company secretary.*
- b) Compliance Assessment Checklist: Regulated Entities should submit their annual compliance assessment checklist to demonstrate adequacy and effectiveness of AML/CFT compliance framework in light of the Regulations, and are encouraged to use the checklist provided in Annex 2 to the Guidelines for this purpose.*

*Any person to whom this directive applies and who contravenes or fails to comply with the requirements of this directive or submits a return which is false in material respect or where under a misstatement is made shall be subject to sanction in accordance with AML Rules issued under the AML Act and imposed by the Commission according to section 6A of the AML Act."*

**SRO 197(I)/2021 dated February 12, 2021:**

*"In the aforesaid Notification, in section A, for their expression '30 June, to be filed by 31<sup>st</sup> July' the expression '31<sup>st</sup> March, to be filed by 30<sup>th</sup> April' shall be established."*

4. The brief facts of the case are that the Company is licensed as a securities broker by the Commission and is thus a regulated person as per the definition provided under the AML Regulations as well as within the scope defined under the SRO 920. During the compliance review of the Company with the requirements of the SRO 920, in conformance with SRO 197, for the period starting from **July 01, 2023 to June 30, 2024**, it was observed that the Company had not submitted its Annual Risk Assessment Report as required under Clause A of the SRO 920, detailed as under:

Requisite Submission under Clause A of SRO 920	Due Date	Submission Status
Annual Risk Assessment Report-2024	30-Apr-2024	Not Submitted

5. In order to ascertain the matter, the Commission vide an email dated June 05, 2025 sought explanation from the Company for non-submission of afore-said Annual Risk Assessment Report. Despite issuance of a reminder by the Commission on June 19, 2025, no response was received from the Company.

6. Taking cognizance of the matter, a SCN was served upon the Company to show the cause in writing as to why penal action may not be taken against it for alleged violation of the aforesaid requirements prescribed under Section 6A(2)(h) of the AML Act and Rule 4(1)(a) and 6(1) of the AML Rules read with Regulation 31 of the AML Regulations. However, the Company failed to submit any written response within the stipulated time.

7. In order to provide an opportunity for personal representation and to meet the ends of justice, a hearing in the matter was fixed for August 13, 2025, which was attended by Mr. M. Shahzad Haider Zaidi, Director of the Company and Mr. Shafqat Ali, Managing Partner-M/s. Afras & Company, being the Authorized Representatives of the Company (the "Authorized Representatives"). During the course of the hearing, the Authorized Representatives informed that the Company has now submitted the requisite Annual Risk Assessment Report and requested for a lenient view in the matter.

8. Subsequent to the hearing, the Company Secretary vide letter dated August 18, 2025 submitted the written response to the SCN *inter alia* stating that:

*The Company was in the process of submitting documents to Pakistan Stock Exchange (PSX) for renewal of license for 2024-2025, and in advance submitted AML/CFT compliance assessment checklist for 2023-2024 on February 01, 2024 to PSX.*

*The Company was of the view that the said submission was not updated on the portal due to its advance submission and this error was come to knowledge through the Commission's reminding email dated June 05, 2025, advising the Company to submit the pending reports within seven working days and called for explaining the reasons of non-compliances.*

*The Company is now fully compliant with the requirements of the SRO 920 and SRO 197 and it is requested to take a lenient view on inadvertent overlook happened due to technical misunderstanding the process of compliance. It is also assured that the Company will comply with all the requirements in future.*

9. I have gone through the relevant provisions of Regulation 4 of the AML Regulations read with Clause A of the SRO 920 (as amended vide SRO 197) and considered the facts of the case, available record of the Company, as well as the written and the verbal submissions made by the Authorized Representatives. I have also perused Section 6A(2)(h) of the AML Act and Rule 4(1)(a) and 6(1) of the AML Rules read with Regulation 31 of the AML Regulations, which stipulate penal provisions for

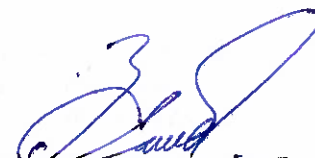
contravention of the afore-referred provisions of law. It is pertinent to highlight that the provisions of Regulation 4 of the AML Regulations read with Clause A of SRO 920 (as amended vide SRO 197), impose a mandatory obligation on all regulated persons to timely file their Annual Risk Assessment Reports. These reports are central to the AML/CFT regulatory framework and are designed to ensure that the Regulated Persons adequately identify, assess and mitigate money laundering and terrorist financing risks. The Company was required to file its Annual Risk Assessment Report with the Commission by April 30, 2024 for the FY2024; however, the Company submitted the said Risk Assessment Report on August 18, 2025 i.e. with a considerable delay of 475 days.

10. The argument put forth by the Authorized Representatives that the default was unintentional and occurred due to a misunderstanding of the technical compliance process is not tenable. The obligation to prepare and submit the Annual Risk Assessment Report is explicit, mandatory, and uniformly applicable to all Regulated Persons under the AML Regulations. As a licensed entity/person, the Company was under a clear and unequivocal legal obligation to ensure timely compliance with all applicable AML reporting requirements. However, the Company failed to submit the aforesaid Annual Risk Assessment Report within the stipulated timelines

11. In view of the foregoing and the admission made by the Authorized Representatives, non-compliance/contravention of the requirements of Regulation 4 of the AML Regulations read with Clause A of the SRO 920 in conformance with the SRO 197 has been established, which attract the applicability of Section 6A(2)(h) of the AML Act and Rule 4(1)(a) and 6(1) of the AML Rules read with Regulation 31 of the AML Regulations. However, considering the fact that the Company in response to SCN has subsequently submitted its Annual Risk Assessment Report for the FY2024 and has also furnished an assurance to timely comply with the requirements of law in future, 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, impose a penalty of **Rs.20,000/- (Rupees Twenty Thousand Only)** on the Company on account of the established default. The Company is also advised to ensure meticulous compliance with all the requirements of the AML/CFT Regulatory framework in the future.

12. The Company is hereby directed to deposit the aforesaid penalty in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and furnish receipted voucher issued in the name of the Commission for information and record.

13. Without prejudice to above, in case the Company is aggrieved by this Order may, within thirty days of the date of this Order, prefer an appeal to the Appellate Bench of the Commission under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 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  
Licensed Entities Wing

**Announced:**  
September 11, 2025  
Islamabad.