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# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

ORDER	
Name of Company:	M/s. Zafar Moti Capital Securities (Private) Limited
Show Cause Notice No. & Date:	2(134)SMD/Adj-I/2019-694 dated July 10, 2025
Date of Hearing:	August 13, 2025
Case Represented by:	(i) Mr. Zafar Siddiq Moti, Chief Executive; and (ii) Mr. Mohammad Javed, Compliance Officer. <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.2(134)SMD/Adj-I/2019-694 dated July 10, 2025 ("SCN") in the matter of M/s. Zafar Moti Capital 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:**

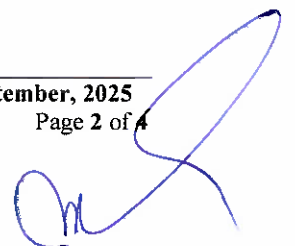
*"4. Risk Assessment - The regulated person shall take appropriate steps in accordance with section 7F of the AML Act to identify, assess and understand its money laundering, and terrorism financing risks for customers, countries or geographic areas and products, services, transactions or delivery channels. 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	Due Date	Submission Status
Annual Risk Assessment Report-2024	30-Apr-2024	Not Submitted

5. In order to ascertain the matter, the Commission vide email dated June 05, 2025, sought explanation from the Company for the aforementioned violation. Despite reminder dated 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. In response to the SCN, the Company, vide letter dated July 21, 2025, *inter alia*, submitted that it had filed the Annual Risk Assessment Report for FY 2024 on June 19, 2025; however, due to the change of Auditor, the delay was caused. The Company further assured that it will ensure strict compliance with the requirements of law in future.

7. In order to provide an opportunity for personal representation and to meet the ends of justice, hearing in the matter was fixed for August 13, 2025, which was attended by Mr. Zafar Siddiq Moti, Chief Executive and Mr. Mohammad Javed, Compliance Officer, being the Authorized Representatives of the Company (the "Authorized Representatives"). During the course of the hearing, the Authorized Representatives, while reiterating the aforesaid reply, admitted the default and informed that the Company had submitted the Annual Risk Assessment Report. The Authorized Representatives further requested for taking a lenient view in the matter.

8. 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 the SRO 197) and considered the facts of the case, available record of the Company, as well as the written and the verbal submission 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 failed to submit the said Risk Assessment Report.

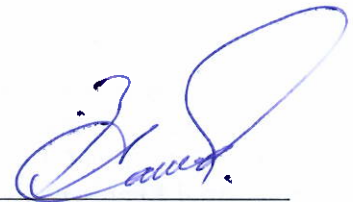
9. The argument put forth by the Authorized Representatives along with the snapshots of the portal provided in support of the claim that the Company had submitted its Annual Risk Assessment Report for FY2024 on June 19, 2025, is factually incorrect, as per the record available with the Commission, the aforesaid Report has not been submitted by the Company.

10. Furthermore, the argument of the Authorized Representatives that the default was unintentional and resulted due to a change in the Auditor is not tenable. As a licensed entity/person, the Company was under a clear and unequivocal legal obligation to ensure timely compliance with applicable AML reporting requirements. However, the Company failed to submit the aforesaid Annual Risk Assessment Report within the stipulated timeline.

11. In view of the foregoing, non-compliance/contravention of the requirements of Regulation 4 of the AML Regulations read with Clause A of the SRO 920 (as amended vide the SRO 197) has been established, which attract the applicability of Section 6(A)(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. 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. 50,000/- (Rupees Fifty Thousand Only)** on the Company on account of established default. The Company is advised to submit its Annual Assessment Report and report the same to the relevant department of the Commission within thirty (30) days from the date of this Order.

12. The Company is hereby directed to deposit the aforesaid fine 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. In case the Company is aggrieved by this Order, it may, within thirty days of the date of this Order, prefer an appeal to Appellate Bench of the Commission in terms of 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.