

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

**In the matter of Show Cause Notice issued to Aba Ali Habib Securities (Private) Limited**

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Dates of Hearing

April 21, 2021

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**Order-Redacted Version**

Order dated June 03, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of Aba Ali Habib Securities (Private) Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated February 16, 2021.
2. Name of Respondent	Aba Ali Habib Securities (Pvt.) Limited (the Respondent)
3. Nature of Offence	<u>Alleged contraventions of regulation 4(a), 18(c)(iii) and 6(8), 11(2) and 7(1)(b) of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the AML Regulations) read with Section 40A of the Securities and Exchange Commission of Pakistan Act 1997 (the Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the written as well as oral submissions of the Respondent and its authorized representative. In this regard, I observe that:</p> <p>i. With regard to the alleged violation of regulation 4(a) of the AML Regulations, the Respondent in its response to JIT's letter of finding vide its letter dated August 7, 2020 submitted that it has updated highlighted procedures in its recent AML/CFT policy updated under NRA 2019. It was further submitted to JIT that highlighted procedures were covered in internal risk assessment. The aforesaid response reflects that the policy was deficient at the time of inspection. However, in contrary to previous response Respondent during the hearing and in response to SCN submitted that highlighted observation is made after overlooking our client screening procedure defined in board approved AML/CFT Policy updated under NRA 2019 which was initially shared with JIT. In this regard an extract of</p>

board resolution was presented as an evidence wherein it was stated that KYC and AML policies and procedures updated under NRA 2019 were approved by the Board of Directors of the company in its meeting held on January 30, 2020. Furthermore, Respondent provided a page bearing page number 46 (appearing as 46 of 51) of its AML policy, whereby client screening process is explained through a flow chart. However, it is pertinent to mention here that the revised draft AML policy submitted by the Respondent to JIT via its email dated August 13, 2020 the said client screening process flow was displayed at page 38 (appearing as 38 of 39), which reflect that Respondent evidence is weak and contradictory. Thus, the Respondent has failed to provide a pre-Inspection evidence substantiating compliance of regulatory framework in accordance with the provisions of the law. The violation of regulation 18(c)(iii) of the AML Regulations by the Respondent and its Compliance Officer is consequential in nature.

- ii. With regard to alleged violation of regulation 15(3) of the AML Regulations, the Respondent in context of both identified instances, has furnished proper evidence depicting compliance of the requirements contained in of regulation 15(3) of the AML Regulations. Therefore, the Respondent has not violated the said provision of the AML Regulations.
- iii. The violation of regulation 7(1)(b) of the AML Regulations were admitted by the authorized representatives during the hearing. It was claimed that subsequent to Inspection, Respondent has validated identification documents of authorized person and board of directors of its corporate client through NADRA Verisys. Thus, the contravention of regulation 7(1)(b) of the AML Regulations at the time of Inspection cannot be denied.
- iv. With regard to the alleged violations of regulation 6(8) of the AML Regulations, the Respondent could not furnish pre-Inspection evidence in cases of two identified instances, to substantiate compliance of law at the time of inspection. Therefore, contravention of the said regulation of the AML Regulations cannot be denied.
- v. In context of alleged violation of regulation 11(2) of the AML Regulations, the Respondent could not provide a pre-Inspection evidence in respect of four identified instances, to substantiate compliance of law at the time of inspection. Therefore, contravention of the said regulation of the AML Regulations cannot be denied.

Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 650,000/- (Rupees Six Hundred Fifty

	Thousand Only) is hereby imposed on the Respondent. However, in reference to Regulation 18 (c) (iii) Compliance Officer of Respondent is warned to be careful in future. The Respondent is advised to examine its AML/CFT policy & procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.
5. Penalty Imposed	Rs. 650,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondents.