



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

45

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

In the matter of

Saath Microfinance Foundation Pakistan

Show Cause Notice No. & Issue Date: SCD/AJD/SMFP/61/2022-761 dated April 30, 2022

Dates of Hearing: May 20, 2022 (1st Opportunity)
July 7, 2022 (2nd Opportunity)
July 25, 2022 (Final Opportunity)

Present at the Hearing: Non-representation by the Respondent

Date of Order: July 29, 2022



ORDER

UNDER SECTION 6(A)(2)(H) OF THE ANTI-MONEY LAUNDERING ACT, 2010 READ WITH RULE 4(1) AND 6(1) OF THE AML/CFT SANCTION RULES, 2020

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This Order shall dispose of the proceedings initiated through the aforesaid Show Cause Notice (**the SCN**) by the Securities and Exchange Commission of Pakistan (**the Commission**) against **Saath Microfinance Foundation Pakistan (the Respondent and/ or the Company)** for contravention of S.R.O. 920 (I)/2020 dated September 28, 2020 (**the Directive**) read with rule 4(1) and 6(1) of the AML/ CFT Sanctions Rules, 2020 (**the AML Rules**).

2. The Company is incorporated under Section 42 of the Ordinance on October 13, 2016 and licensed by the Commission to undertake microfinance business as an NBFC under the Non-Banking Finance Company (Establishment and Regulation) Rules, 2003 (**the NBFC Rules**).
3. As per the **Directive**, the Compliance Report on Statutory Regulatory Orders issued by the Ministry of Foreign Affairs (**MOFA**) under the United Nations (Security Council) Act, 1948 or intimation from the Ministry of Interior (**MOI**)/ National Counter Terrorism Authority (**NACTA**)/ the Law Enforcement Agencies (**LEAS**)/ Home Departments of the Provinces etc. regarding updates in the list of the proscribed person(s)/ entity(ies) under the Anti-Terrorism Act, 1997 (**the AML Act 1997**), is required to be submitted to the Commission within forty-eight (48) hours of receiving the same in the manner as instructed from time to time by the Commission.
4. Upon review of the record of the Commission, it was transpired that during the period July 2021 – March 2022, in One Hundred and Sixty-Two (162) instances the Company had submitted the requisite Compliance Report in relation to the SRO(s) issued by the MOFA, NACTA after the lapse of specified time period of forty-eight (48) hours of receiving the same and intimation through the Commission's automated reporting mechanism i.e. SECP's e-Services Portal [the delays were ranging from Two (2) to Fifty-Eight (58) days].
5. The Directive provides that, "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

SE

46



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Division
Adjudication Department-I

is false in a material respect or where under a misstatement is made shall be liable to sanction in accordance with AML/CFT Sanctions Rules, 2020 issued under AML Act, 2010 and imposed by the Commission according to Section 6A of the AML Act."

6. Non-submission of the Compliance Report was violation of clause D of the Directive, which attracts applicability of rule 4(1) and 6(1) of the AML Rules, and Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (the AML Act 2010). The said provisions of the law are reproduced as under:

Rules 4(1) of the AML Rules 2020:

"(1) On any contravention as set out in rule 3(2), any or all of the following sanctions may be imposed by the concerned AML/CFT Regulatory Authority, namely:-

- (a) Impose a monetary penalty in accordance with these Rules;*
- (b) impose any condition, limitation or restriction on the reporting entity's business or product offerings, as it considers appropriate,*
- (c) Revoke license or de-registration of the reporting entities as applicable;*
- (d) Impose a temporary or permanent prohibition on any natural person who holds an office or position involving responsibility for taking decisions about the management of the reporting entity, including but not limited to:

 - (i) issuing a written warning;*
 - (ii) imposing a temporary suspension; or*
 - (iii) removal from service.**
- (e) Issue a statement of censure/warning/reprimand;*
- (f) Issue a direction to the person to undertake any given actions, including but not limited to:

 - (i) comply with the requirements within a specified time period through a remedial plan;*
 - (ii) conduct internal inquiries; or*
 - (iii) take disciplinary action against directors, senior management and other officers.**
- (g) Impose any other sanction permitted under the AML/CFT Regulatory Authority's enabling legislation and any rules, regulations or directives issued thereunder."*



Rules 6(1) of the AML Rules 2020:

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

Section 6(A) (2) (h) of the AML Act 2010:

"(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,"

7. In order to take cognizance of the aforesaid failure/ contravention/ non-compliance, the SCN was issued to the Company, calling upon it to show cause in writing as to why penalty as provided under Section 6(A)(2)(h) of the AML Act 2010, may not be imposed on it for the aforementioned contraventions of the law. The SCN was sent to the Respondent through courier on the registered mailing address as well as through the valid email addresses of the CEO of the

AF

47



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Division
Adjudication Department-I

Company available with the Commission. The Respondent did not submitted the written response.

8. In order to provide the Respondent Company, opportunity of personal representation, hearing in the matter were fixed for May 20, 2022, which was adjourned as the official / Director of the Company appeared for the hearing without Authority of the Respondents. Subsequently, the Company vide email dated June 16, 2022 submit as under:

“Reference to the email for AML compliance i want to again inform you the same which i recorded in the last hearing of dated 14th April that we are doing AML compliance at our side in system we are offline due to our AGM is not being on time for that we applied for te direction and received the direction from CRO sukkur and our AGM date is 23rd of june 2022, thats the reason in your system non-compliance form our side, because our online reporting is expired from SECP, which only can be active once AGM is done Please note tis in record for AML and SCR untill our AGM date ,after that you can see our compliance , currently on secp portal we are offilne , so please I have briefed this situation in my hearing also Please wait untill our AGM is finalized and active status from SECP online.”

9. Thereafter, again in order to provide the Respondent an opportunity of personal representation, hearings in the matter were fixed for July 7, 2022 and July 25, 2022 respectively. The hearing notices were served to the Respondent through courier as well as through email ids. However, no one appeared on behalf of the Company, despite of giving telephonic assurance by the Director of the Company for attendance in the hearing.

10. Moreover, as per the courier tracking record obtained from the courier service provider, it was observed that the SCN and all the hearing notices were successfully delivered at the registered address of the Company and duly received by Mr. Mirza Khan and/ or Mr. Jamil. Due to the non-cooperative/ non-responsive behavior and non-compliance/ contravention of the provisions of the law, I am left with no other option but to proceed *ex-parte* in the matter on the basis of available record and facts.

11. I have gone through the facts of the case, available record and written submission by the Company in light of the aforesaid legal provisions and observed that during the period July 2021 to March 2022, in One Hundred and Sixty-Two (162) instances the Respondent submitted the compliance report to the SROs/ Notification issued by NACTA, MOFA, MOI etc. with a delay ranging from two (2) to fifty-eight (58) days. Moreover, the Respondent’s stance of expiry of their online reporting access due to non-holding of Annual General Meeting (AGM) is not tenable; as the highlighted instances exhibited that the Respondent was not submitting the required compliance report within the stipulated time period. The last Compliance Report to SROs, as highlighted by the Commission was submitted by the Respondent on March 29, 2022 with a delay of almost three (3) days and the mode of submission of such reports was through online portal. The Respondent, being a licensed NBFC / regulated person was mandatorily required to submit the requisite compliance within 48 hours irrespective of its business operations status. Further, it is also pertinent to mention here that the Respondent had also been previously adjudicated, for violating provisions of the same Directive, vide Orders dated June 25, 2021 and February 18, 2022.



48



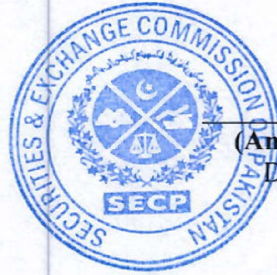
SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Division Adjudication Department-I

12. In view of the foregoing non-compliances/ contraventions of Clause D of the Directive have been established which attract imposition of the penalty under Section 6(A)(2)(h) of the AML Act 2010 read with rules 4(1) and 6(1) of the AML Rules. Therefore, in exercise of the powers conferred under Section 6 (A) (2) (h) of the AML Act read with rule 4(1) and 6(1) of the AML Rules, I hereby, impose a fine of **Rs. 250,000/- (Rupees, Two Hundred and Fifty Thousand Only)** on the Respondent Company on account of the established non-compliances of Clause D of the Directive.

13. The Company is hereby directed to deposit the afore-mentioned fine in the designated Bank Account maintained in the name of the Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days of the date of this Order and furnish received voucher evidencing payment of the same.

14. This Order is issued without prejudice to any other action that the Commission may initiate against the Company and/or its CEO in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.



A handwritten signature in blue ink, appearing to read 'Amir', is written over a horizontal line.

(Amir M. Khan Afridi)
Director/HOD (Adj-I)