



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

**Before Hammad Javed, Additional Director/Head of Wing
(Licensed Entities-Adjudication Department-I)**

In the matter of

C & M Management (Pvt.) Limited

Show Cause Notice No. & Issue Date:	No.2(288)SMD/Adj-1/2021-1030 Dated June 20, 2023
Date of Hearing:	July 24, 2023
Present at the Hearing Representing the Respondent	Mr. Muhammad Sharif, Accounts Officer (Authorized Representative)

ORDER

UNDER REGULATION 31 OF THE AML/CFT REGULATIONS, 2020 READ WITH RULE 4(1)(A) AND 6(1) OF THE AML/ CFT SANCTION RULES, 2020 AND SECTION 6A(2)(H) OF THE ANTI-MONEY LAUNDERING ACT, 2010

This Order shall dispose of the proceedings initiated through the Show Cause Notice (**the SCN**) No.2(288)SMD/Adj-I/2021-1030 dated June 20, 2023 by the Securities and Exchange Commission of Pakistan (**the Commission**) against **C & M Management (Pvt.) Limited (the Respondent and/or the Company)** for alleged contravention of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (**the AML/CFT Regulations**) under Regulation 31 of the AML/CFT Regulations read with Rule 4(1)(a) and 6(1) of the AML/CFT Sanction Rules, 2020 (**the AML Rules**) and Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (**the AML Act**).

2. It was transpired from the record available with the Commission that the review of the Company was carried out **from June 01, 2022 to August 31, 2022 (the review period)** by the Inspection team of PMEX. Scope of the review included evaluation of compliance with respect to the provisions stipulated under the AML/CFT Regulations.

3. The Inspection transpired that the Company/Respondent, *prima facie*, has been non-compliant with the AML/CFT Regulations, detailed as under:

- (i) Regulation 5(a) of the AML/CFT Regulations stipulates that the regulated person shall have policies, controls and procedures, which are approved by its board of directors (**the Board**) to enable them to manage and mitigate the risks that that have been identified in its own risk assessment and any other risk assessment publicly available or provided by the Commission.

Review of the AML Policy of the Company revealed that the Respondent's AML Policies and Procedures do not address key areas such as:

- a) Ongoing monitoring,
- b) Existences of an independent audit function, and;
- c) Mechanism for screening of customers.



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Therefore, the Respondent has, *prima facie*, failed to comply with Regulation 5(a) of the AML/CFT Regulations.

4. The relevant provision of the law is reproduced as under:

Regulation 5(a) of the AML/CFT Regulations

"5. Risk Mitigation and Applying Risk Based Approach - The regulated person shall: (a) have policies, controls and procedures, which are approved by its board of directors, to enable them to manage and mitigate the risks that have been identified in its own risk assessment and any other risk assessment publicly available or provided by the Commission;"

5. The aforesaid violation attracts applicability of Regulation 31 of the AML/CFT Regulations read with Rules 4(1)(a) and 6(1) of the AML Rules and Section 6A(2)(h) of the AML Act, which are reproduced as under:

Regulation 31(1) of the AML/CFT 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."

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

*"(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;"*

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."

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;"

6. Keeping in view the aforesaid contraventions, the SCN was issued to the Respondent/Company, calling upon it to show cause in writing as to why penalty as provided under Section 6A(2)(h) of the AML Act, may not be imposed on it for the aforementioned contraventions of the law.

7. In response to the SCN, the Company vide letter dated July 17, 2023 submitted as under:

".... First and foremost, we would like to assure you that the Company has taken the findings/observations of inspection team seriously and has already undertaken necessary measures to rectify the identified non-compliance issues. We have reviewed our internal



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policies and procedures, and have thoroughly aligned them with the statutory requirements, as outlined in the AML/CFT Regulations.

In response to the specific points raised in the Show Cause Notice:

1. Regarding Regulation 5(a) of the AML/CFT Regulations, which emphasizes the need for approved policies, controls, and procedures, we have implemented the following measures:

a) Ongoing Monitoring: We confirm that we are diligently carrying out ongoing monitoring of all our active clients, as required by the regulations after visit of SECP officials. This includes continuous assessment of their transactions, account activities, and other relevant factors to identify and mitigate any potential risks associated with money laundering or terrorist financing.

b) Independent Audit Function: We have appointed an independent auditor, as per our revised internal policies, to conduct regular audits of our AML/CFT processes and controls. This ensures an objective evaluation of our compliance status and helps in identifying areas for improvement.

c) Mechanism for Screening of Customers: We have implemented a robust mechanism for screening our customers, which involves conducting thorough customer due diligence checks, including enhanced scrutiny for high-risk individuals or entities. Our screening procedures comply with the guidelines provided by the Commission.

We understand the importance of adhering to these regulations and have taken prompt action to rectify any gaps in our AML/CFT framework. We have attached a sample of five clients to demonstrate our ongoing monitoring practices and the implementation of enhanced customer screening measures. Additionally, we have appointed an independent auditor who can provide further validation of our compliance efforts.

We genuinely regret the oversight highlighted during the inspection period, and we assure you that such instances will not recur in the future. Our commitment to upholding the highest standards of AML/CFT compliance remains unwavering, and we will continue to review and enhance our internal procedures to meet regulatory expectations."

8. The hearing in the matter was fixed for July 24, 2023 wherein Mr. Muhammad Sharif, Accounts Officer appeared before the undersigned as the Authorized Representative (**the Representative**) on behalf of the Company. During the course of hearing, the Representative was advised to explain the reasons for the alleged non-compliances, as narrated in the SCN. The Representative reiterated the stance taken in the aforementioned written reply by the Company including submissions on the evidences of subsequent compliance and admitted oversight in ensuring compliance in respect of identified instances. The Representative assured compliance with the AML/CFT requirements in the future.

9. Subsequent to the hearing, the Respondent vide letter dated July 25, 2023 sent the already submitted evidences of subsequent compliance.

10. I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondent and the Representative. I am of the considered view that:

- (i) As far as absence of significant area of ongoing monitoring in the Company's AML Policy is concerned, it is evident from the Company's reply dated July 17, 2023 that required procedures and controls for this significant area were not being carried out prior to the inspection, which confirms the fact that ongoing monitoring was not included in the AML Policy of the Company and its was admittedly made part of the Company's AML Policy subsequent to the inspection. Moreover, it has also been observed that evidence of subsequent compliance, as furnished by the Company does



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not substantiate that all the required procedures and controls have been carried out by the Company in accordance with the requirements of ongoing monitoring, as envisaged in the AML/CFT Regulations.

- (ii) The Respondent vide his reply has submitted a copy of Audit Engagement Letter from an Auditor; however, this letter does not substantiate that independent audit function has been established by the Company to test its system with an objective of managing and mitigating its ML/TF risk, as per the requirement of Regulation 5(a) of the AML/CFT Regulations. As per the revised AML Policy of the Company, "independent audit shall be engaged and it will conduct at the end of the financial year. However, in order to mitigate ML/TF risk to ensure compliance with Regulation 5(a) *ibid*, AML Policy of the Company should provide for a continuous audit function.
- (iii) The Respondent vide its reply dated July 17, 2023 has submitted a copy of its revised AML Policy incorporating therein screening mechanism. However, this vital area of screening mechanism was not part of the AML policies, procedure and controls prior to the inspection. Therefore, the Company was in contravention of requirement of Regulation 5(a).

11. In view of the foregoing and the admission made by the Respondent and the Representative, contravention of Regulation 5(a) of the AML/CFT Regulations has been established, which attract imposition of penalty under Regulation 31 of the AML/CFT Regulations read with rules 4(1)(a) and 6(1) of the AML Rules and Section 6A(2)(h) of the AML Act. Hence, in exercise of the powers conferred upon me, I hereby impose penalty of **Rs. 70,000/- (Rupees Seventy Thousand Only)** on the Respondent on account of the aforesaid conceded and established non-compliances of applicable provisions of the law.

12. The Respondent 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. 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.



(Hammad Javed)

Additional Director / Head of Wing
Licensed Entities-Adjudication Department-I

Announced:
August 24, 2023
Islamabad