



# 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*

**Foundation Securities (Private) Limited**

Show Cause Notice No. & Issue Date:	No.1(37)SMD/Adj-1/ISE/2018-1067 Dated July 04, 2023
Corrigendum to Show Cause Notice No & Issue Date:	No.1(37)SMD/Adj-1/ISE/2018-199 Dated September 07, 2023
Date(s) of Hearings:	July 24, 2023 and October 04, 2023
Present at the Hearing Representing the Respondent	i) Syed Ahmed Zaidi, Chief Executive Officer ii) Mr. Shahbaz Akbar, Head of Compliance iii) Khanzada Mehmood Nasir, Senior Manager iv) Mr. Muhammad Baber Khan, Compliance Officer ( <i>Authorized Representatives</i> )

### **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.1(37)SMD/Adj-1/ISE/2018-1067 dated July 04, 2023 and Corrigendum to the SCN No.1(37)SMD/Adj-1/ISE/2018-199 dated September 07, 2023 issued by the Securities and Exchange Commission of Pakistan (**the Commission**) in the matter of Foundation Securities (Private) Limited (formerly, Askari Securities Limited) (**the Respondent and/or the Company**) for alleged contraventions 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. As per the Inspection report, the review of Askari Securities Limited was carried out **from October 01, 2022 to December 31, 2022 (the review period)** by the Joint Inspection Team (**the JIT**) vide Inspection Notice No. T316 dated January 23, 2023. Scope of the review included examining compliance status with respect to provisions, stipulated under the AML/CFT regulatory framework.

3. The findings of the Inspection Report transpired that Askari Securities Limited, *prima facie*, had been non-compliant with the AML/CFT Regulations, detailed as under:

- (i) Regulation 11 of the AML/CFT Regulations stipulates that the regulated person shall identify the beneficial owner and take reasonable measures to verify the identity of the



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beneficial owner by using reliable and independent document, data or sources of information.

During the Inspection, it was transpired that in two (02) instances, the Respondent has not maintained database of its corporate clients and any documentary evidence relating to the database of beneficial owners of individual clients, which shows that the Respondent, *prima facie*, failed to demonstrate compliance with Regulation 11 of the AML/CFT Regulations.

- (ii) Regulation 25(1)(a) of the AML/CFT Regulations stipulates that the regulated person shall undertake TFS obligations under the United Nations (Security Council) Act, 1948 and/or Anti-Terrorism Act, 1997 and any regulations made there under, including developing mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential matches with the stated designated/proscribed persons in the SROs and notification issued by Ministry of Foreign Affairs (MoFA), National Counter Terrorism Authority (NACTA) and Ministry of Interior (MoI).

It was transpired during the Inspection that in twenty-three (23) instances the Respondent failed to provide any documentary evidence to demonstrate screening of its new customers at the time of opening of account, which reflects that the Respondent, *prima facie*, failed to demonstrate compliance with Regulation 25(1)(a) of the AML/CFT Regulations.

- (iii) 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, 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.

It was transpired during the Inspection that the Respondent has not updated its AML/CFT policy & procedures related to Beneficial Ownership, which manifests that the Respondent, *prima facie*, failed to ensure compliance with Regulation 5(a) of the AML/CFT Regulations.

4. The relevant provisions of the law are reproduced as under:

**Regulation 5(a) of the AML/CFT Regulations**

*"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;"*

**Regulation 11 of the AML/CFT Regulations**

*"The regulated person shall also identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner by using reliable and independent document, data or sources of information as set out in Annex 1, such that the regulated person is satisfied that it knows who the beneficial owner is."*



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### **Regulation 25(1)(a) of the AML/CFT Regulations**

*"The regulated person shall undertake TFS obligations under the United Nations (Security Council) Act 1948 and/or Anti-Terrorism Act 1997 and any regulations made there under, including: (a) develop mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential matches with the stated designated/proscribed persons in the SROs and notifications issued by MoFA, NACTA and MoI."*

5. The aforesaid alleged violations attracted 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. While taking cognizance in the aforesaid matter, the SCN was issued to the Askari Securities Limited being the Respondent, calling upon it to show cause in writing as to why penalty as provided 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, may not be imposed on it for contravening the aforementioned provisions of the law.

7. In response to the SCN, the Respondent vide letter dated July 12, 2023 submitted as under:

*"...Our para wise clarifications are as follows:*

*(i) Regulation 11 of the AML/CFT Regulations stipulates that the regulated person shall identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner by using reliable and independent document, data or sources of information.*



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*During the Inspection, it was transpired that in two (02) instances the Company/Respondent has not maintained database of its corporate clients and any evidence relating to the database of beneficial owners of individual clients, which reflect that the Respondent, prima facie, failed to demonstrate compliance with Regulation 11 of the AML/CFT Regulations.*

### **ASL Comments:**

*We would like to apprise the honorable Commission that both of the mentioned accounts were opened prior to the implementation of the aforementioned regulations. We are actively pursuing corporate clients to obtain data on beneficial owners following the implementation of said regulations, letters of evidence predating the inspection, pertaining to the aforementioned accounts, attached as Annexure 01 (02 pages). It may be noted that the regulations are silent on specify a for updating information on beneficial owners for existing accounts, nor has any clarification been provided through circulars, FAQs, or awareness sessions on AML/CFT.*

*Additionally, we would like to apprise the honorable Commission that, in accordance with the AML/CFT Guidelines 2021 section 7d(vi), which states that "In case a customer has no active business with the RP, and cannot be reached, or refuses to engage in updating because there is no active business, account should be marked inactive with the instruction that relationship cannot be re-activated without full CDD".*

*Consequently, those corporate accounts that have not furnished the necessary documents regarding their beneficial owners despite persistent requests have been designated as inactive in the back-office. These accounts are prohibited from engaging in trading activities until the required documents are submitted. This restriction is evident in the absence of any trading activity in both accounts since January 2018, ledger for both accounts attached as Annexure 02 (05 pages). Further it may be noted that we closed the account with CDC code 16133 on February 08, 2023. However, we were unable to close the account with CDC code 3958 because there are some shares in that account.*

*Hence, we are compliant with the relevant regulations and above mentioned exercise clearly proves that we have performed reasonable measures to verify the identity of the beneficial owner.*

*(ii) Regulation 25(1)(a) of the AML/CFT Regulations stipulates that the regulated person shall undertake TFS obligations under the United Nations (Security Council) Act, 1948 and/or Anti-Terrorism Act, 1997 and any regulations made there under, including developing mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential matches with the stated designated/proscribed persons in the SROs and notification issued by Ministry of Foreign Affairs (MoFA), National Counter Terrorism Authority (NACTA) and Ministry of Interior (MoI).*

*It was transpired during the Inspection that in twenty-three (23) instances the Company/Respondent failed to provide any documentary evidence to demonstrate screening of its new customers at the time of opening of account which reflects that the Respondent, prima facie, failed to demonstrate compliance with Regulation 25(1)(a) of the AML/CFT Regulations.*



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### **ASL Comments:**

*With regard to manual screening of new customers against the stated designated/proscribed persons in the SROs and notifications issued by MoFA, NACTA and Mol, during the account opening process, we may submit that ASL has implemented this practice as an additional precautionary measure. ASL maintains evidence of the screening process in the form of checklist that is signed by the account opening officer. ASL has already shared evidence of the prescribed checklist, duly signed by the account opening officer, pertaining to the aforementioned 23 accounts with the inspection team. These instances were shared prior to the issuance of the Letter of Findings on January 30, 2023, and January 31, 2023. Refer to Annexure 03 (29 pages), which is attached to this letter.*

*It is pertinent to mention here that our system has built-in features which are also reviewed by the inspection team prior to the issuance of the Letter of Findings, whereby account shall be blocked by the system in case credentials match with a proscribed person and organization during the account opening process. We have already shared a screenshot of the system with the inspection team on February 09, 2023, which is attached herewith as Annexure 04 to this letter.*

*Furthermore, we regularly conduct screenings of our existing customer database to detect any matches with the stated designated/proscribed persons in the SROs and notification issued by MoFA, NACTA, and Mol. The results of these screenings are reported to NCCPL on fortnightly basis. The evidence of these screenings and reports to NCCPL has been previously shared with the inspection team prior to the issuance of the Letter of Findings on February 02, 2023, attached as Annexure 05 (06 pages) with this letter.*

*Therefore, we are compliant with the relevant regulations, and the aforementioned exercises serve as clear evidence of our comprehensive and effective screening process.*

*(iii) 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 have been identified in its own risk assessment and any other risk assessment publicly available or provided by the Commission.*

*It was transpired during the Inspection that the Company/Respondent has not updated its AML/CFT policy & procedures related to Beneficial Ownership which reflects that the Respondent, prima facie, failed to demonstrate compliance with Regulation 5(a) of the AML/CFT Regulations.*

### **ASL Comments:**

*We would like to apprise the honorable Commission that we have incorporated the requirement of beneficial ownership in the account opening form before inspection, and obtained the necessary information about beneficial owners at the time of opening new accounts. As evidence of our compliance, one case as sample already shared with the inspection on January 31, 2023 prior to receiving the Letter of Findings, attached as Annexure 06 (02 pages). Additionally, we have also attached a sample case of a corporate account opened on April 18, 2022, before inspection as Annexure 07 (04 pages). These cases demonstrate that ASL has already fulfilled the obligation of acquiring beneficial ownership information.*



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*It is pertinent to mention here that ASL's Compliance Manual, which has been approved by ASL's Board of Directors and reviewed during inspections prior to the issuance of a Letter of Findings, includes a requirement stated in subsection 6.3.1.2. This requirement states that the "Compliance officer shall oversee account opening including all related documentation". This demonstrates that ASL has already ensured compliance with the applicable regulations.*

*Further, we are actively pursuing information from clients who were on boarded prior to the aforementioned regulations in order to comply with the AML/CFT Regulations of 2020.*

*Letters sent to existing clients prior to inspection, please refer to Annexure 01 as sample for evidence.*

*Additionally, following the implementation of the AML/CFT Regulations 2020, the Compliance Manual has been updated to include policies and procedures regarding Beneficial Owners. An addendum reflecting these changes was prepared and shared with the Board for approval on 21 May 2021, before inspection. An email containing this addendum was sent to the Board of Directors of ASL, attached as Annexure 08 (02 pages). Moreover, an updated Addendum was shared with the Board of Directors on March 15, 2023 which was subsequently approved by the Board of Directors. Approvals attached as Annexure 09 (08 pages)."*

8. The hearing in the matter was fixed for July 24, 2023 wherein Khanzada Mehmood Nasir and Mr. Muhammad Baber Khan from Askari Securities Limited appeared before the undersigned as the Authorized Representatives (**the Representatives**) of the Respondent. During the course of hearing, the Representatives were advised to explain the reasons for the alleged non-compliances, as narrated in the SCN. The Representatives reiterated the stance taken in the aforementioned written reply of the Respondent.

9. Moreover, during the hearing, the Representatives informed that the Askari Securities Limited has been merged with and into Foundation Securities (Private) Limited consequent to the Judgment passed by the Hon'ble High Court of Sindh. Therefore, the Representatives were advised to share copy of the Judgment Hon'ble Court passed in the matter.

10. Subsequent to the hearing, the Respondent vide email dated July 31, 2023 furnished certified copy of the Judgment dated March 13, 2023 passed by the Hon'ble High Court of Sindh w.r.t Merger of Askari Securities Ltd with and into Foundation Securities (Private) Limited. As per the said Judgment, the entire undertaking and business including assets, rights, properties, benefits, power privileges, contract, trading terminals, servers, back-office system, trademarks, patents, liabilities, obligations and dues etc. of the Askari Securities Limited stood transferred to, vested in and assumed by Foundation Securities (Private) Limited w.e.f April 05, 2023.

11. In view hereof, Askari Securities limited no longer existed and its all liabilities, obligations and dues were now the responsibility of Foundation Securities (Private) Limited. Therefore, Corrigendum to the SCN vide Correspondence No.1(37)SMD/Adj-1/ISE/2018-199 dated September 07, 2023 was issued to the Respondent i.e. Foundation Securities (Private) Limited, through its Chief Executive Officer.

12. In response to Corrigendum to the SCN, the Respondent vide letter dated September 20, 2023 submitted as under:



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*"....This refers to your letter dated September 07, 2023 on the titled subject, we hereby seek to affirm the validity of the response previously furnished by Askari Securities, as delineated in their correspondence dated July 13, 2023.*

*We hope that the aforementioned response adequately addresses the requirement sought by you.*

*We hereby submit that our organization has consistently strived to achieve full compliance with the pertinent laws. Furthermore, we provide an unequivocal assurance of our commitment to meeting all the responsibilities stipulated within the AML/CFT regulations. We eagerly anticipate the SECP to play its guiding role in our ongoing efforts for further improvement."*

13. Thereafter, afresh hearing opportunity in the matter was provided to the Respondent i.e. Foundation Securities (Private) Limited, on October 04, 2023 wherein Syed Ahmed Zaidi, Chief Executive officer, Shahbaz Akbar, Head of Compliance and Khazada Mehmood Nasir, Senior Manager from appeared before the undersigned as the Authorized Representatives (**the Representatives**) of the Respondent. During the course of hearing, the Representatives were advised to explain the reasons for the alleged non-compliances, as narrated in the SCN. The Representatives reiterated the stance taken in the aforementioned written reply of the Respondent and expressed the intention to furnish additional submissions. Moreover, the Representatives added that the Respondent had diligently been making all efforts to comply with the regulatory requirements of AML/CFT. Nonetheless, the CEO of the Company assured that all noted observations from the record of Askari Securities Limited with respect to AML/CFT have already been addressed after the merger with and into Foundation Securities (Private) Limited.

14. Subsequent to the hearing, the Respondent vide letter dated October 05, 2023 submitted additional response as under:

*"....This refers to show cause notice dated July 04, 2023 on the titled subject and hearing held via video link from our office dated October 04, 2023.*

*Our para wise clarifications in addition to previous response dated July 12, 2023 are as follows:*

*(i) Regulation 11 of the AML/CFT Regulations stipulates that the regulated person shall identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner by using reliable and independent document, data or sources of information.*

*During the Inspection, it was transpired that in two (02) instances the Company/Respondent has not maintained database of its corporate clients and any evidence relating to the database of beneficial owners of individual clients, which reflect that the Respondent, prima facie, failed to demonstrate compliance with Regulation 11 of the AML/CFT Regulations.*

### **Comments:**

*We are actively pursuing corporate clients to obtain data on beneficial owners following the implementation of said regulations, letters of evidence, in addition to previous submitted letters, pertaining to the aforementioned accounts, attached as Annexure 01 (02 pages). These letters clearly demonstrate that we have consistently taken reasonable measures to verify the identity of the beneficial owner.*

*Consequently, those corporate accounts that have not furnished the necessary documents regarding their beneficial owners despite persistent requests have been designated as inactive in the back-office, in accordance with the Anti-Money Laundering Act, 2010, section 7D and*



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*AML/CFT Guidelines 2021, section 7d(vi). This restriction is evident in the absence of any trading activity in both accounts since January 2018, ledger for both accounts have already been shared through our response dated July 12, 2023.*

*Furthermore, it may be noted that, as an additional precautionary measure, we closed the account with CDC code 16133 titled '.....' on February 8, 2023, as indicated in the account closing report, attached as Annexure 02 (02 pages). However, we were unable to close the account with CDC code 3958, titled '.....' because there are some shares in that account. In light of this, we have sent an email to CDC requesting guidance, attached as Annexure 03.*

*Hence, we are compliant with the relevant regulations and above-mentioned exercise clearly proves that we have performed reasonable measures to verify the identity of the beneficial owner.*

*(ii) Regulation 25(1)(a) of the AML/CFT Regulation stipulates that the regulated person shall undertake TFS obligations under the United Nations (Security Council) Act, 1948 and/or Anti-Terrorism Act, 1997 and any regulations made there under, including developing mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential matches with the stated designated/proscribed persons in the SROs and notification issued by Ministry of Foreign Affairs (MoFA), National Counter Terrorism Authority (NACTA) and Ministry of Interior (Mol).*

*It was transpired during the Inspection that in twenty-three (23) instances the Company/Respondent failed to provide any documentary evidence to demonstrate screening of its new customers at the time of opening of account which reflects that the Respondent, prima facie, failed to demonstrate compliance with Regulation 25(1)(a) of the AML/CFT Regulations.*

### **Comments:**

*We maintain evidence of the screening process in the form of checklist that is signed by the account opening officer, evidence of the prescribed checklist, duly signed by the account opening officer, pertaining to the aforementioned 23 accounts already been shared with inspection team and subsequently with our response dated July 12, 2023.*

*It is pertinent to mention here that our system has built-in features which are also reviewed by the inspection team prior to the issuance of the Letter of Findings, whereby account shall be blocked by the system in case credentials match with a proscribed person and organization during the account opening process. We have already shared a screenshot of the system with the inspection team on February 09, 2023, and subsequently with our response dated July 12, 2023.*

*Furthermore, we regularly conduct screenings of our existing customer database to detect any matches with the stated designated/proscribed persons in the SROs and notification issued by MoFA, NACTA, and Mol. The results of these screenings are reported to NCCPL on fortnightly basis. The evidence of these screenings and reports to NCCPL has been previously shared with the inspection team prior to the issuance of the Letter of Findings on February 02, 2023, and subsequently with our response dated July 12, 2023.*

*Therefore, the aforementioned exercises serve as clear evidence of our comprehensive and effective screening process.*





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*(iii) Regulation 5(a) of the AML/CFT Regulation 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.*

*It was transpired during the Inspection that the Company/Respondent has not updated its AML/CFT policy & procedures related to Beneficial Ownership which reflects that the Respondent, prima facie, failed to demonstrate compliance with Regulation 5(a) of the AML/CFT Regulations.*

### **Comments:**

*We would like to apprise the honorable Commission that we have already incorporated the requirement of beneficial ownership in the account opening form before inspection, and obtained the necessary information about beneficial owners at the time of opening new accounts in accordance with AML/CFT Regulations 2020. As an evidence of our compliance, one case as sample already shared with the inspection team on January 31, 2023 prior to receiving the Letter of Findings. Additionally, we have also shared a sample case of a corporate account opened on April 18, 2022, before inspection, which have already been shared with our response dated July 12, 2023.*

*Further, it may be noted that our existing procedures and reasonable measures related to Beneficial Ownership are in line with requirements under AML/CFT Regulations 2020. However, following the implementation of the AML/CFT Regulations 2020, the Askari Securities Compliance Manual was updated to include policies and procedures to further clarify the requirements of Beneficial Owners. An addendum reflecting these changes was shared with the Board for approval on 21 May 2021, before inspection. An email containing this addendum was sent to the Board of Directors of ASL, already been shared with our response dated July 12, 2023. It may note that the Board of Directors also provided their approval on 16 March 2023, which also been shared with our response dated July 12, 2023.*

15. 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 Representatives. I am of the considered view that the Respondent was required to comply with the requirements of aforesaid provisions of law and have observed that:

- a) With regard to alleged non-compliance of Regulation 11 in two (02) instances where Respondent has not maintained database of its corporate clients and any documentary evidence relating to the database of beneficial owners of individual clients, the Representatives have stated that these corporate clients are inactive as there is no trading activity since January 2018. Moreover, reminders were issued to both of these corporate clients prior to inspection and the corporate account of one of the clients with CDC code 16133 is closed on February 07, 2023. Further, other corporate account with CDC code 3858 is also inactive, but yet to be closed as there are some shares in the account. Lately, another reminder was issued vide letter dated February 07, 2023 to the client with CDC code 3858 for required documents. Subsequently, an email dated October 04, 2023 was sent to CDC for seeking its guidance for the closure of the account of the said client. Therefore, it is noted that the Respondent had taken measures to comply with the requirements of Regulation 11 of the AML/CFT Regulations in term of these two corporate clients.



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With regard to the contention of the Respondent and its Representatives that AML/CFT Regulations are silent on specifying a deadline for updating the information of the beneficial owners of existing accounts of the client and no clarification has been provided through Circular/FAQs/Awareness Sessions by the Commission. It was clarified to the Representatives during the hearing, thus is once again reiterated here that the AML/CFT Regulations were notified on September 28, 2020 and came into force at once as stated in Regulation 2, therein. Therefore, the Respondent was required to ensure compliance of all other mandatory requirements of the AML/CFT Regulations, including the requirements envisaged in Regulation 11 of the AML/CFT Regulations without any undue delay from the date of enactment.

Further, it has been noted that the Respondent failed to respond and/or provide any evidence in respect of maintaining the database containing the information on the beneficial owner(s) of individual clients despite being alleged in the SCN. It is an undisputed fact that the Respondent was required to obtain the information required under Annexure 1 in order to ascertain the beneficial owner(s) of its individual clients, therefore, contravention of Regulation 11 of the AML/CFT Regulations is established to this extent.

- b) With regard to alleged non-compliance of Regulation 25(1)(a) in twenty-three (23) instances, where the Respondent failed to provide any documentary evidence (screenshot or system generated report with date and time) to substantiate that screening of its new customers was carried out. The Representatives, during the hearing, reiterated the stance taken by the Respondent vide its written responses to the SCN that the Respondent has been performing the screening of its new customers through the implemented automated system with mandatory entry of CNIC of the customers at the time of account opening. It was further stated that this automated system has an in-built feature of displaying an alert if the name of any new customer matches with the name of any proscribed person. In such a case, the system does not allow to open account of such person. Moreover, as an additional precautionary measure, a checklist is also maintained under which the relevant officer of the Company makes sure that all documentary evidences are being marked during the account opening process. Furthermore, the screening of the existing customers is also being conducted and a result of these screening are reported to NCCPL on fortnightly basis. Although, the Respondent also stated to have demonstrated the functionalities of this automated system to the Inspection team, yet a documentary evidence substantiating these claims of the Respondent was necessitated. During the inspection proceedings, it was noted that the supporting documents were not being maintained and provided. However, the Respondent, subsequent to the SCN, has now provided documentary evidence of having screened noted clients with mentioned dates prior to the issuance of the SCN, screenshot of the system displaying an alert incase name of any new customer matches with the name of any proscribed person. In view thereof, it is concluded that the Respondent has provided documentary evidence that suffices the performance of screening of its new customers at the time of opening of account in compliance of Regulation 25(1)(a) of the AML/CFT Regulations.
- c) As far as alleged failure of the Respondent in updating its AML/CFT policy, controls & procedures related to Beneficial Ownership is concerned, the Representatives have stated during the hearing that the Respondent has updated its policy and procedures in respect of Beneficial Ownership through an addendum reflecting these changes, which was submitted before the Board of Directors of the Company for approval on May 21, 2021. Review of



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record shows that eventually the Board accorded its approval on March 16, 2023. Whereas, the Respondent was required to timely updated its AML/CFT policy & procedures as this mandatory requirement became applicable to the Respondent with effect from the enactment date of the AML/CFT Regulations i.e. September 28, 2020. Moreover, the approval date of the addendum to the compliance manual, as provided by the Respondent, reveals the approval date to be 3 days after the final hearing of Merger Petition on March 13, 2023 which substantiates the fact that the board realized the significance of approving the Respondent's AML/CFT policy, controls and procedures after the inspection and sharing of LOF on February 13, 2023, which should have been adopted and implemented with the board's approval right after the enactment of AML Regulations. Therefore, it is established that the Respondent has remained non-compliant with the requirements of Regulation 5(a) of the AML/CFT Regulations.

16. The aforesaid violations of Regulation 11 read with Annexure and Regulation 5(a) of the AML/CFT Regulations are 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. However, in consideration of the fact that Askari Securities Limited was merged with and into Foundation Securities (Private) Limited w.e.f April 05, 2023 and the CEO of Foundation Securities (Private) Limited has, during the hearing, given assurance for meticulous compliance of AML/CFT regulatory framework, henceforth, I, in exercise of the powers conferred on me, hereby impose a penalty of **Rs.100,000/- (Rupees One Hundred Thousand Only)** on the Respondent on account of the aforesaid established non-compliances of the aforesaid provisions of the law.

17. However, the Respondent is advised to ensure its meticulous compliance with all applicable Laws, Rules, Regulations and Directions etc. notified/issued from time to time relating to anti money laundering and countering financing of terrorism in true letter and spirit, at all times.

18. 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.

19. 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:**  
December 22, 2023  
Islamabad

