



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Say No to Corruption

Before

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

In the matter of

AZEE SECURITIES (PVT.) LIMITED

Show Cause Notice No. & Issue Date:	No.1(136)SMD/ADJ-I/KHI/2018-713 dated January 20, 2023
Date of Hearing:	June 06, 2023
Present at the Hearing Representing the Respondent	Mr. Ghazi Naseem, Manager Compliance (Authorized Representative)

ORDER

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

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 Azee Securities (Pvt.) Limited (**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)(a) and 6(1) of the AML/ CFT Sanctions Rules, 2020 (**the AML Rules**) and Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (**the AML Act**).

2. The Company was incorporated on November 30, 2000, as a private limited company under the Companies Act, 2017 (**the Act**). The Company is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange (**PSX**) and licensed as a securities broker with the Commission under the Securities Brokers (Licensing and Operations) Regulations, 2016 (**the SB Regulations**).

3. The Commission issued the Directive under Section 6A(1) of the AML Act. As per the Clause D of 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 National Counter Terrorism Authority (**NACTA**)/ the Law Enforcement Agencies (**LEAS**)/ Home Departments of the Provinces/ Ministry of Interior (**MoI**) 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



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I
Adjudication Division

Continuation Sheet - I -

within forty-eight (48) hours of receiving the same in the manner as instructed from time to time by the Commission.

4. It was transpired from the record available with the Commission that the Company from **January 1, 2022, to June 30, 2022**, has failed to submit the compliance report as required in terms of Clause D of the Directive in relation to the regulatory notification issued by the Ministry of Foreign Affairs (the "MOFA"), Ministry of Interior (MOI), National Counter Terrorism Authority (the "NACTA"), etc. within the specified time period of 48 hours of receiving the same and intimation through the automated reporting system i.e. SECP's eService's portal. Detail of the instances of the non-compliances is as under:

- (i) **14 (fourteen) instances** where the Company submitted requisite compliance report after a delay of forty-eight (48) hours (delays ranging from 1 to 12 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 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, *prima facie*, is a violation of clause D of the Directive, which attracts the applicability of rules 4(1)(a) and 6(1) of the AML Rules, and Section 6A(2)(h) of the AML Act. The said provisions of the law are reproduced as under:

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;"*

Rules 6(1) of the AML Rules:

"(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 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;"



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I
Adjudication Division

Continuation Sheet - 2 -

7. Keeping in view the aforesaid contravention, the SCN was issued to the Respondent, calling upon it to show cause in writing as to why the penalty as provided under Section 6A(2)(h) of the AML Act 2010, may not be imposed on them. The Respondent has not submitted the written response to the SCN.

8. In order to afford the Respondent opportunity of personal representation, hearings in the matter were fixed for March 28, 2023, and April 11, 2023, however, no one appeared on behalf of the Respondent on these dates. Thereafter, a final opportunity of hearing was given to the Respondent and the matter was fixed for hearing on June 06, 2023. Mr. Ghazi Naseem, Manager Compliance; appeared before the undersigned as the Authorized Representative (**Representative**) on behalf of the Respondent. The Representative was advised to explain the reason for not submitting the Compliance Reports in respect of compliance with the notifications, as alleged in the SCN.

9. The Representative submitted that the Respondent is facing operational issues since October 2021 and now its operations have been curtailed. He informed that the Respondent has not opened any new account since October 2021 as the Respondent does not have sufficient staff and is presently working with only one person in compliance function. Further, it was asserted that the Respondent was maintaining the clients' database, however, the delay in submission of compliance reports was admitted. The representative explained that over occupancy of a compliance officer, operational difficulties being faced by the Respondent and shortage of the staff were the main reasons for the said contravention.

10. During the hearing, significance of compliance of the Directive was emphasized to the Representative in view of the requirement to submit the compliance report within 48 hours irrespective of the weekends or gazetted holidays and in this regard reference was made to the Commission's advice to the all regulated entities via email dated October 7, 2020 wherein it was categorically clarified that all financial institutions are required to take action in respect of Clause D of the Directive, irrespective of any holidays/weekends. Moreover, it was also stressed that the compliance department of the Company must be aptly equipped so that timely submission of compliance reports is ensured and in case of an urgency, alternate staff members could perform the duty accordingly. Further, it was pointed out that the Respondent had previously been issued a warning order dated June 30, 2021, for violations of the Directive, wherein the Respondent was also advised to be careful regarding AML compliance in future. Yet, fourteen (14) instances of delayed submission of compliance reports under Clause D of the Directive ranging between 1-12 days were observed leading to issuance of SCN. In the end, the Representative was informed of non-submission of response to the SCN by the Respondent and inquired if the Respondent would want to furnish any written submission. The Representative stated that the verbal arguments as mentioned in Para 9/above be considered as final submissions of the Respondent in this matter. No written response has been received from the Respondent in the case till to-date.

11. I have reviewed the facts of the case in light of the applicable provisions of the law and have given due consideration to the verbal arguments of the Representative and am of the view



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I
Adjudication Division

Continuation Sheet - 3 -

that the Respondent was required to submit compliance report in respect of fourteen (14) notifications / SROs issued by MOFA, NACTA and MOI within the stipulated time period i.e. 48 hours, which actually were submitted by the Respondent with a delay ranging between 1-12 days. The relevant provisions of the Directive and Commission's advice to the all regulated entities via email dated October 7, 2020 further make the mandatory submission of compliance reports within 48 hours abundantly clear. Moreover, the Respondent was already issued an order dated June 30, 2021 for similar violations of the Directive, wherein the Respondent was warned and advised to be careful regarding AML compliance in future. The Representative, during the hearing, also admitted contravention of the provisions of Clause D of the Directive. Thus, contravention of the provisions of Clause D of the Directive in afore-stated fourteen (14) instances have been established, which attract imposition of penalty under Section 6A(2)(h) of the AML Act read with rules 4(1)(a) and 6(1) of the AML Rules. Hence, in exercise of the powers conferred upon me, I hereby impose a penalty of **Rs. 140,000/- (Rupees One Hundred and Forty Thousand only)** on the Respondent on account of the aforesaid conceded and established contravention of the Directive.

12. The Company is hereby directed to deposit the aforementioned 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 receipted voucher evidencing payment of the same.

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:
June 13, 2023
Islamabad.