

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

In the matter of Show Cause Notice issued to AKD Investment Management Limited

Dates of Hearing

June 22, 2022

**Order-Redacted Version**

Order dated June 30, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of AKD Investment Management Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated June 6, 2022.
2. Name of Respondent	AKD Investment Management Limited (the Company and / or the Respondent)
3. Nature of Offence	Alleged contraventions of regulations 25(1)(a) & 8(3) read with regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 ( <b>the AML Regulations</b> ); rules 4(1) & 6(1) of the AML/ CFT Sanction Rules, 2020 ( <b>the AML Rules</b> ); and Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 ( <b>the AML Act</b> ).
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case in light of the applicable provisions of the law and has given due consideration to the written submissions and verbal arguments of the Respondent and its Representatives and state that:</p> <p>(i) the client's database maintained by the Respondent used for screening purposes was incomplete as certain critical information in respect of clients were found missing which raised doubt on the completeness, accuracy, and reliability of the database for the periodic screening and monitoring of clients and their associated persons. Moreover, the master list of proscribed persons maintained with the Respondent was also found deficient. The Respondent in its written response also admitted such default and submitted that most of the information has been updated and for the remaining, they are approaching the clients. Although the Respondent has rectified and updated most of the deficient information in</p>

	<p>the database, however at the time of inspection, the said deficiencies existed in the database of the Respondent, which makes the screening process doubtful. This implies that the Company had not developed an effective mechanism, process, and procedure for screening and monitoring of the clients. Hence, the Company was exposed to a risk of forming relationships with associates of the proscribed person, which is violation of regulation 25(1)(a) of the AML Regulations;</p> <p>(ii) risk categorization of the customer has not been done by the Company properly as certain clients were assigned more than one risk rating which showed that the Company failed to fulfill the requirement of risk categorization of each customer's risk depending on the outcome of the CDD process, contrary to the requirement of regulation 8(3) of the AML Regulations; and</p> <p>(iii) the Respondent had to be more prudent for meticulous compliance with the requirement of regulation 21 of the AML Regulations.</p> <p>In view of the above violation of regulation 25(1)(a) and 8(3) is established. Therefore, the Company is liable to be penalized under regulation 31 of the AML Regulations; rules 4(1) &amp; 6(1) of the AML Rules; and Section 6(A)(2)(h) of the AML Act. Hence, in exercise of the powers conferred under Section 6 (A)(2)(h) of the AML Act, I hereby, impose a fine of <b>Rs. 990,000/- (Rupees; <u>Nine Hundred and Ninety Thousand Only</u>)</b> on the Company on account of the aforesaid conceded and established non-compliances of the AML Regulations.</p>
5. Penalty Imposed	Rs.990,000/-
6. Current Status of Order	Penalty not deposited