

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

In the matter of Show Cause Notice issued to AKD Securities Limited

Dates of Hearing

June 28, 2021

Order-Redacted Version

Order dated April 28, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of AKD Securities Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 26, 2021.
2. Name of Respondent	AKD Securities Limited (the Respondent)
3. Nature of Offence	<u>Alleged contraventions of regulation 6(3)(a) & (c), 13(1), (2) & (3) & 6(4) of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the AML Regulations) read with Section 40A of the Securities and Exchange Commission of Pakistan Act 1997 (the Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the available record, written as well as verbal submissions of the Respondent and its Representatives and observed that:</p> <p>(i) with regard to the alleged violation of regulations 6(3)(a), 6(3)(c), 13(1), 13(2) and 13(3) of the AML Regulations, in three instances, the Respondent could not substantiate that it was in compliance of the aforesaid regulations at the time of Review. The considerable mismatch/ divergence of respective tax returns/ disclosed source of income with the actual custody/ trading/ investment/ cash transactions in case of identified clients was not denied by the Respondent. Without ascertaining the customer's/ beneficial owner's identity and source of funds/ income, enforcement of compliance of regulations 6(3)(a), 6(3)(c), 13(1), 13(2) and 13(3) of the AML Regulations cannot be possible. Thus, non-compliance of the aforesaid regulations by the Respondent on account of its failure to identify the actual beneficiary owner(s) of the</p>

	<p>identified accounts, failure to conduct proper due diligence and ongoing monitoring, cannot be denied;</p> <p>(ii) with regard to the violation of regulations 6(3)(c) and 6(4) of the AML Regulations, in five instances the Respondent could not exhibit compliance to the Review team:</p> <p>(a) The occupation status of client "MA" was not clearly reported & documented. Furthermore, no evidence of business/employment was available with Respondent at the time of Review. Merely photocopy of membership card of KCCI available with the Respondent cannot be construed a source of income. Print date on Tax return provided to the Review team, reflects that same has been acquired subsequent to the Review team's letter dated November 16, 2020.</p> <p>(b) The requisite documents as per Annexure I read with regulation 6(4), to ascertain occupation of client "AM" were not available with the Respondent at the time of Review. CDD/ KYC of the joint account holder "SMA" was not carried out. Source of funds were mentioned as "cash" which doesn't reflect the source of income.</p> <p>(c) The requisite documents to ascertain occupation of client "MI" were not available with the Respondent at the time of Review. CDD was not performed on ongoing basis as the respondent had only old tax return of the client at the time of Review.</p> <p>(d) The occupation status of client "SS" was mentioned as "other". However, at the time of Review, the Respondent was not in possession of any documentary evidence exhibiting nature of business or source of income of the client "SS". Thus, CDD was not properly carried out by Respondent.</p> <p>(e) Account operation through cash deposits by a non-resident overseas client "HZ", depicts weak on-going monitoring mechanism of the Respondent</p> <p>Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 300,000/- (Rupees Three Hundred Thousand Only) is hereby imposed on the Respondent. The Respondent is advised to examine its AML/ CFT policy & procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.</p>
5. Penalty Imposed	Rs. 300,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondents.

