

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

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

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Dates of Hearing

June 04, 2021

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**Order-Redacted Version**

Order dated July 30, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of AKD Securities Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated April 16, 2021.
2. Name of Respondent	AKD Securities Limited (the Respondent)
3. Nature of Offence	Alleged contraventions of <u>Regulation 13(1), 14(3), 6(3)(c) and 6(10) 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 examined the written as well as verbal submissions of the Respondent and its Representatives and I observed that:</p> <p>i. KYC/Customer due diligence checklist dated February 21, 2018 submitted by the Respondent transpired that the identified customer was marked as "House Wife" with source of fund of "savings and inheritance". The customer experience in stocks was mentioned as "novice" with expected daily trade volume of "3k-5k" shares. The mentioned profile of the said customer does not match/justify the quantum of highlighted transactions. The quantum/value of identified transactions are not in consistent with the knowledge of the customer and recorded risk profile and source of fund. Moreover, the Respondent could not provide evidence that unusual patterns of transactions executed in trading account of identified client were duly examined to know the background/purpose and the findings thereon were never recorded in writing as required under the provisions of regulatory framework. Thus, the</p>

	<p>violation of regulation 13(1) and 14(3) of the AML Regulations on part of Respondent cannot be denied.</p> <p>ii. With regard to the violation of regulation 6(3)(c) and 6(10) of the AML Regulations, the Respondent informed that the highlighted instance is beneficial and absolute owner of her trading account since she owns all the assets in her own name which were reported in her Wealth Statement/income Tax Return filed with FBR. However, it cannot be denied that Respondent has failed to monitor accounts/transactions on ongoing basis and update customer profile based on the unusual and unexpected activities which were not corresponding to the recorded profile. Therefore, the contravention of regulation 6(3)(c) and 6(10) of the AML Regulations by the Respondent is evident in the instance case.</p> <p>Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs.100,000/- (Rupees One Hundred Thousand Only) is hereby imposed on the Respondent. The Respondent is advised to examine its AML/CFT policy &amp; procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.</p>
5. Penalty Imposed	Rs. 100,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondents.