

Before Amina Aziz, Director/HOW (Licensed Entities-Adjudication-I)

In the matter of Show Cause Notice issued to Akhai Securities (Private) Limited

Dates of Hearing

August 11, 2022

Order-Redacted Version

Order dated August 19, 2022 was passed by Director/Head of Wing (Licensed Entities - Adjudication-I) in the matter Akhai Securities (Private) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated May 30, 2022.
2. Name of Respondent	Akhai Securities (Private) Limited (the Company and/ or the Respondent).
3. Nature of Offence	Alleged contraventions of Regulation 25(1), 23(2) and 8 of the AML Regulation, and Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 read with rule 4(1) of the AML/CFT Sanctions Rules, 2020 thereof.
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the facts of the case and considered the written and oral submissions of the Respondent and material available on record, in light of the aforesaid legal provisions and observed that:</p> <p>a. with regard to the maintenance of database of its customers, beneficial owner, nominee, joint account holder, authorized person, BoDs, Trustees & Office bearers for TFS screening, the Respondent submitted that it was maintaining screening software which contains database of such customers and their associated individual(s)/entity(ies) however, JIT observed that the database was insufficient with regard to all clients and their associated person(s) the time of inspection. Further, with respect to the evidence of including Nil/No match report pertaining to performance of screening of its clients, the Respondent provided that they were doing screening on regular basis however, they did not maintain evidence of the screening at the time of inspection. Therefore, the Respondent was found in contravention of regulation 25(1)(a) of the AML Regulations.</p>

	<p>b. with regard to the screening of two clients at the time of account opening, it was observed that the accounts were opened on March 19, 2019 and December 03, 2019 at which point it was not mandatory for the Respondent to conduct screening at the time of account opening. The arguments provided for the Respondent in this regard is tenable and hence, it may not be held accountable for non-compliance in this case.</p> <p>c. With regard to the compliance of clause D of the SRO dated September 28, 2020 it was observed that the Respondent had provided response to the SROs however it was not provided within the prescribed time of forty-eight (48) hours. The Respondent therefore, contravened the provision of Clause D of the SRO.</p> <p>d. With regard to the justification of low-risk clients, the Respondent, during the hearing submitted that it was not being maintained at the time of inspection. The Respondent has therefore, contravened the provisions of regulation 23(2) of the AML Regulations.</p> <p>e. With regard to the documentation pertaining to 10 clients, the Respondent submitted that they have now obtained information on all clients except one whose accounts has been inactive. The Respondent also provided copies of documentation with respect to the 10 clients however, they were obtained subsequent to the JIT inspection. The Respondent therefore, contravened the provisions of regulation 8, 11, 9 and note (i) of Annexure I of the AML Regulations.</p> <p>In view of the foregoing and submissions made by the Respondent and its Representatives, contravention of Clause D of the SRO, regulation 25(1)(a), 23(2), 8, 11, 9 and note(i) of Annexure I of the AML Regulations have been established against the Respondent. Therefore, in terms of powers conferred under 6(A)(2)(h) of the Act, a penalty <u>Rs.330,000/- (Rupees Three Hundred and Thirty Thousand Only)</u> is hereby imposed on the Respondent. Further, the Respondent is advised to ensure effective implementation on its AML/CFT procedures.</p>
5. Penalty Imposed	Rs.330,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondents.