

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

In the matter of Show Cause Notice issued to Al Habib Asset Management Limited

---

Dates of Hearing

March 17, 2022

---

**Order-Redacted Version**

Order dated June 15, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Al Habib Asset Management Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated February 25, 2022.
2. Name of Company	Al Habib Asset Management Limited, (the Respondent and/ or the Company)
3. Name of Individual*	The proceedings were initiated against the Company.
4. Nature of Offence	Alleged contraventions of <u>Regulations 25(1)(a) &amp; 8(3) read with Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (AML Regulations) Rules 4(1) &amp; 6(1) of the AML/ CFT Sanction Rules, 2020 (AML Rules) and Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (AML Act).</u>
5. 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 observed that:</p> <p>(i) The database of the proscribed persons maintained by the Respondent was deficient in respect of the list of Proscribed Organizations/ Entities available on the website of NACTA. Although, the Respondent and the Representatives claimed that they have manually screened the client's database against the list of proscribed entities available at NACTA</p>

website, however, no evidence of such screening was provided. Further, in the absence of list of proscribed entities in the screening system, there might be a risk of missing the screening against these proscribed entities while conducting periodic screening of the clients. Moreover, after highlighting the said deficiency by the inspection team, the Respondent started entering the list of proscribed entities manually into the system used for screening, which should have been done by the Respondent earlier (i.e. since developing the screening mechanism), so that probability of missing the screening against these proscribed entities could be evaded. Thus, the Respondent stance that the list of proscribed entities was not entered in to the system used for screening due to non-upload able format is not tenable.

(ii) Regarding deficient/ missing information of ten (10) directors of three (3) corporate clients in the clients 'database used for screening purposes; the Respondent's submissions in respect of three (3) directors of one (1) corporate client (i.e. the information of the directors was inadvertently missed out while providing the information to the inspection team) has been accepted and accordingly condoned. However, with regard to the remaining seven (7) directors of two (2) corporate clients; the Respondent itself has admitted in the written response that they have taken lenient view in respect of delayed submission of director's information by a corporate client as the client was a listed company due to which they have classified it as low risk client. Further in respect of other corporate client which was on board in the year 2020 and its director was changed in the year 2021, the Respondent had not done the CCD review of the said client for being a low risk client during this period exhibited a forbearing attitude by the Respondent towards ensuring the completeness and accuracy of the records and information maintained in the client's database.

(iii) Considering the submissions with regard to varied / dual risk categorization of the client, that the inspection team might have confused the categorization of two different clients with same name, the noncompliance of regulation 8(3) of AML Regulations has not been established hence the highlighted deficiency is condoned. However, given the fact that the Respondent has multiple clients with same name, it is advised to develop robust client identification procedures in respect of the said area to avoid any future discrepancies.

	<p>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 <u>Rs. 200,000/- (Rupees Two Hundred Thousand Only)</u> on the Company on account of the aforesaid conceded and established non-compliances of the AML Regulations.</p>
6. Penalty Imposed	Rs. 200,000/-
7. Current Status of Order	No Appeal has been filed by the respondents.