

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

In the matter of Show Cause Notice issued to AL-Meezan Investment Management Limited

Dates of Hearing

June 24, 2021

Order-Redacted Version

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

Nature	Details
1. Date of Action	Show cause notice dated June 17, 2021
2. Name of Respondent	Al-Meezan Investment Management Limited, (the Respondent and/ or the Company)
3. Nature of Offence	Alleged contraventions of <u>Regulations 13(7) and 6(5a) of the SECP (AML/ CFT) Regulations, 2018 (the AML Regulations) read Section 40 A of the Securities and Exchange Commission of Pakistan Act, 1997 (SECP Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have considered the written as well as verbal submissions of the Company and its Representatives and of the view that justifications provided by the Representatives are not plausible as:</p> <p>(i) the AML Regulations require that no relationship shall be formed with the proscribed individuals directly or indirectly. Further, all the regulated persons are prohibited under regulation 6(5a) of the AML Regulations to form any business relationship with associates/ facilitators of the proscribed persons. Thus, the detail of nominees disclosed by the customers/ clients in their Account Opening Forms (AOF) shall be screened and appropriate actions must be initiated if any match is found;</p> <p>(ii) the non-compliances highlighted in the SCN are based on key information required to be obtained and retained in the clients' database for screening against the proscribed</p>

	<p>persons/ entities, as notified by NACTA and MOFA. CNIC Number of local and Passport No. of foreign customers are among the key parameters for screening of the individuals. The Respondent, in its written response has stated that their primary check is based on the name of the client. In case this argument is agreed, even then complete CNIC number is required to rule out the false positives arising from similar names. Further, in case where CNIC numbers are missing from NACTA list, the regulated persons are required to conduct the screening based on other parameters available like father's name, address, locality, etc. Owing to entry of inaccurate and incomplete information about some of the clients in database of the Company, screening of its clients rendered ineffective.</p> <p>Therefore, it is imperative that the Company undertakes data audit as an ongoing practice to ensure accuracy of the MIS data, to enable the Company to properly and effectively fulfill its obligations for screening of its clients, beneficiaries and nominees.</p> <p>Keeping in view the fact that in certain cases the data maintained by the Company was incomplete, inaccurate and unreliable. Owing to this ignorance on part of the Respondent, it is believed that the Respondent is not capable to screen out names/identity of the proscribed persons/entities, as identified by NACTA and MOFA through their respective notifications. This state of affairs establishes violation of the mandatory provisions of regulations 6(5a) and 13(7) of the AML Regulations. Therefore, the Company is liable to be penalized under Section 40A of the SECP Act which is reproduced as under:</p> <p>In exercise of the powers conferred on me under Section 40A of the SECP Act, I, hereby, impose a fine of <u>Rs.350,000/- (Rupees three hundred and fifty thousand only)</u> on the Company on account of conceded and established default of the AML Regulations, as mentioned in the above paras.</p>
5. Penalty Imposed	Rs. 350,000/-
6. Current Status of Order	Penalty not deposited