

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

**In the matter of Show Cause Notice issued to Alfalah GHP Investment Management Limited**

Dates of Hearing

September 29, 2022

**Order-Redacted Version**

Order dated November 25, 2022, was passed by Director/Head of Wing (Adjudication-I) in the matter of Alfalah GHP Investment Management Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated August 10, 2022.
2. Name of Respondent(s)	Alfalah GHP Investment Management Limited, (the Company and/ or the Respondent)
3. Nature of Offence	Alleged contraventions of <u>Regulations 25(l)(a) &amp; 8(3) read with Regulation 31 of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the AML Regulations); Rules 4(1) &amp; 6(1) of the AML/CFT Sanction Rules, 2020 (the AML Rules); and Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (the AML Act).</u>
4. 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 is of the view that:</p> <p>(i) Completeness of the information in customers' database is vital for an effective and reliable screening mechanism. All the parameters including name, CNIC Numbers, addresses, location and fathers'/husbands' names are equally important for screening of clients against the proscribed persons. It is pertinent to mention that the percentage/proportion of the missing information of clients to the total clients does not matter, missing information in respect of a single client possesses a risk of missing out the screening of the clients against the proscribed person list while conducting Periodic screening, which could invalidate the whole screening process of an entity.</p> <p>(ii) It was highlighted that the client's database of the Respondent was incomplete in respect of <u>CNICs of twenty-seven (27) joint account holders; addresses of thirty-three (33) individual account holders and date of account opening of thirty-two (32) clients.</u> In this regard, the Respondent provided/updated the CNIC information of twenty-six (26) Joint account holders and the Addresses of twenty-</p>

five(25) clients, which was erroneously missed while providing the information to the Inspection team. Further, with regard to one (1) missing CNIC of joint account holder, is, in fact, an individual account and not a joint account, therefore, CINC of the joint account holder is not required. Moreover, with regard to missing addresses of remaining eight (8) clients, the Respondent asserted that these addresses were later updated after verification of addresses of respective account holders, which is an admission by the Respondent that the clients' database was deficient in respect of addresses of eight (8) clients. Although, the Respondent has subsequently updated the said missing information in the clients' database, however, the same was missing during the review period of the Inspection.

(iii) Moreover, the Respondent also admitted that discrepancies in account opening date maintained in the database in respect of thirty-two (32) clients were owing to migration of data due to merge of the Respondent with IGI Funds, which are now been rectified in the database. Since the date of account opening of the client is not a parameter used for screening process; these accounts have very low proportions to the total population of accounts maintained with the respondent; the account statements issued for these accounts are showing correct detail of account opening and transaction dates; and the discrepancy has now been rectified by the Respondent, therefore, the said discrepancy has not much affected the screening process of the Respondent therefore been condoned.

(iv) With regard to varied risk categorization of clients the Respondent admitted the default in respect of five (5) client, which occurred due to system limitation. The Respondent has established several manual checks and controls in their compliance system in order to cater the system limitation, however, the Respondent should improve/update its system to address this issue. Thus, the varied risk categorization in respect of five (5) clients was exist in the record of the Responded during the review period of the inspection.

In view of the above, the database used by the Respondent for screening purposes was deficient in respect of the addresses of eight (8) individual clients. Hence. the Company was exposed to a risk of forming relationships with associates of the proscribed persons, moreover, the record of the Company exhibited five (5) instances of varied risk categorization respectively. Thus, violation of regulations 25(1)(a) and 8(3) of the AML Regulation is established. Therefore, the Company is liable to be penalized under regulation 31 of the AML Regulations 31 of the AML Regulations; rules 4(1) & 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 Rs. 340,000/- (Rupees Three Hundred and Forty Thousand Only) on the

	Company on account of the aforesaid conceded and established non-compliances of the AML Regulations.
5. Penalty Imposed	Rs. 340,000/-
6. Current Status of Order	Penalty Deposited and No Appeal has been filed by the respondents.