

Before Amina Aziz, Director (Adjudication-I)

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

Dates of Hearing

October 10, 2022

Order-Redacted Version

Order dated November 14, 2022 was passed by Director (Adjudication-I) in the matter of Bawany Securities (Private) Limited. Relevant details are given as hereunder:

Nature	Details
Date of Action	Show cause notice dated August 26, 2022.
Name of Respondent	Bawany Securities (Private) Limited (the Company and/ or the Respondent).
Nature of Offence	Alleged contraventions of Regulation 25(1), 23(2) and 9 and 11 of the Securities & Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 read with Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 and rules 4(1) and 6(1) of the AML/ CFT Sanctions Rules, 2020 and regulation 31 of the AML regulations thereof.
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 with regard to the:</p> <p>Evidences to the screening of its clients at the time of account opening, the Respondent produced evidences related to the screening of two clients (CDC Sub A/c. No. 2324 and 2332) at the time of account opening. The screening evidence in this regard is justifiable. The Respondent also provided evidence of acknowledgement emails received from SECP in the matter of 2 out of 3 SROs as mentioned in the SCN. However, it was observed that the Respondent was not maintaining evidence of periodic screening of its clients and also record of screening performed prior to submission of compliance status with the Commission and NCCPL. The Respondent during the hearing submitted that due to a system virus, they have lost their data and therefore, could not produce evidence of screening conducted for its clients. Such argument, provided by the Respondent is not tenable as the Respondent is required to keep record of periodic screening of its clients which demonstrates that it regularly</p>

	<p>performs screening against the list of proscribed persons/ entities. Therefore, the Respondent was found non-compliant with regulation 25(1) of the AML Regulations.</p> <p>Low-risk justification of its clients, the Respondent during the hearing proceedings submitted that all the clients were classified as low-risk as the documents provided by them were satisfactory and there was no reason to assign them as medium/ low, risk. However, the inspection team observed deficiencies with respect to KYC/CDD documentation of 6 out of 8 of these clients. The Respondent only produced copies of a single pager internal KYC/CDD documents which only shows the nature of documents as satisfactory and classifies the client as low-risk. The justification for low-risk clients as provided by the Respondent is unsatisfactory especially when documents pertaining to KYC/CDD of these clients are found to be deficient. Therefore, the Respondent was found non-compliant with regulation 23(2) of the AML Regulations.</p> <p>KYC/CDD documents of 6 clients, as highlighted in the SCN, the Respondent produced employment documents and income tax returns. However, during the inspection period, it was observed that the Respondent was not maintaining documents relating to KYC/CDD of these clients such as KYC/CDD forms of joint account holders, CNIC copies of the clients and their joint account holders, source of income funds etc. The Respondent failed to produce documents as required in Annexure I read with regulation 9 and 11 the AML Regulations.</p> <p>In view of the foregoing and submissions made by the Respondent and its Representative, contraventions of regulation 25(1), 23(2), 9 and 11 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 of Rs. 260 000/- (Two Hundred and Sixty Thousand Only) is hereby imposed on the Respondent. Further, the Respondent is advised to examine its AML/ CFT policy & procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit, in future.</p>
Penalty Imposed	Rs. 260,000/-
Current Status of Order (As of the uploading date)	Penalty not deposited and Appeal has been filed by the respondent.