

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

In the matter of Show Cause Notice issued to BIPL Securities Limited

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Dates of Hearing

June 01, 2021

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**Order-Redacted Version**

Order dated July 23, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of BIPL Securities Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 16, 2021.
2. Name of Respondent	BIPL Securities Limited (the Respondent)
3. Nature of Offence	<u>Alleged contraventions of Regulation 6(3)(a), 6(3)(c) and 13(1) Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the AML Regulations) read with Section 40A of the Securities and Exchange Commission of Pakistan Act 1997 (the Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the written as well as verbal submissions of the Respondent and its Representative as well as the record available with the Commission and observed that:</p> <ol style="list-style-type: none"><li data-bbox="608 1509 1449 1816">i. The Identified customer was a CEO/ Director of a listed company. The Respondent in its KYC Checklist/ Form mentioned Rs.50,000/- as monthly income of that customer. It cannot be denied that significant and large volume of transactions executed in the trading account of the said client during April 2019 was disproportionate with the recorded profile of the client. This reflects that CDD performed by the Respondent was deficient.</li><li data-bbox="608 1821 1453 2011">ii. Subsequent to findings of the Review, the Respondent relied on the financial statements of the company for the year ended June, 2020, where customer was working as the CEO/ Director to ascertain his income. The Respondent determined Rs.850,000/- as monthly income of the said</li></ol>

	<p>customer from the said financial statements. Here, it is pertinent to note that the said financial statements were authorized by the Board on September 30, 2020. Thus, it is clear that there was considerable delay of over one year and 5 months to conduct ongoing monitoring and CDD on part of Respondent.</p> <p>iii. Acknowledgement slip of income tax return dated for FY 2019 was obtained from customer (with printing date of December 12, 2019) and same was provided to the review team and in response to SCN. The said acknowledgement slip was reflecting net worth of Rs.888.795 million without providing details of source and quantum of income. In this regard, it was noted that despite of such available information, the Respondent failed to revise the customers' profile based on the significant changes in -the customer's record/ information. Thus, the Respondent failed to updated the record of the client on timely basis, which also indicates deficiency of ongoing monitoring on the part of the Respondent.</p> <p>iv. The absence of information regarding source of income of the client and its beneficial owner, if any, and the above highlighted deficiencies are sufficient to ascertain profile, risk and carrying out requisite due diligence as well as to ensure the compliance of regulations 6(3)(a) &amp; (c), and 13(1), (3) &amp; (4) of the AML Regulations. Therefore, the Respondent cannot deny violation of the aforesaid regulations of the AML Regulations.</p> <p>Therefore, in terms of the powers conferred under Section 40A of the Act, a penalty of Rs.350,000 (Rupees Three Hundred Fifty Thousand Only) is hereby imposed on the Respondent. The Respondent is advised to review its AML/CFT policies &amp; procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.</p>
5. Penalty Imposed	Rs. 350,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondents.