



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
Adjudication Department

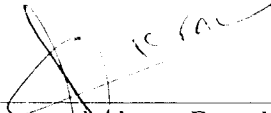
No. 1(135)SMD/ADJ/KHI/2018

May 23, 2019

**Cassim Investment (Pvt.) Limited**  
Through its Chief Executive Officer,  
Office# 26-28,  
Pakistan Stock Exchange Building,  
Stock Exchange Road,  
**Karachi.**

**SUBJECT: Order in Respect of Show Cause Notice dated February 07,2019 Bearing Number No. 1(135)SMD/ADJ/KHI/2018**

Please find enclosed herewith a copy of order in the title matter for your record and necessary action.

  
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**Muhammad Akram Farooka**  
Assistant Director

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**Securities and Exchange Commission of Pakistan**  
Securities Market Division

Through Courier

Before the Commissioner (SMD)

In the matter of Show Cause Notice issued to Cassim Investments (Pvt.) Limited

**Date of Hearing**

February 26, 2019

**Present at the Hearing**

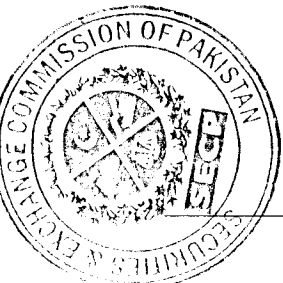
Representing Cassim Investments (Pvt.) Limited i. Mr. Ali Cassim (CEO)

**ORDER**

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. 1(135)SMD/ADJ/KHI/2018 dated February 7, 2019 (“**SCN**”) issued to M/s. Cassim Investments (Private) Limited (“**Respondent**”) by the Securities and Exchange Commission of Pakistan (the “**Commission**”) under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (“**Act**”).

2. Brief facts of the case are as under:

- (a) The Respondent is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange Limited (“**PSX**”) and licensed as a securities broker under the Securities Act, 2015.
- (b) The Joint Inspection Team of PSX, Central Depository Company and National Clearing Company of Pakistan Limited (herein after referred to as “**JIT**”) conducted an inspection of the Respondent (“**Inspection**”) to assess its compliance with the regulatory requirements contained in Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (“**AML Regulations**”).
- (c) The Inspection, *inter alia*, revealed the following:
  - i The Respondent had not mentioned the date in which the Customer Due Diligence (“**CDD**”) was performed.
  - ii The Respondent had failed to develop and update its policy in accordance with the AML Regulations.
  - iii The Respondent had not established an internal audit function.
  - iv The Respondent had not obtained any evidence of income from various clients.
  - v The Respondent had not obtained the article and memorandum of association and directors and shareholders list of a corporate entity.





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- vi The Respondent had failed to ascertain the beneficial ownership of its various clients.
  - vii The Respondent had assigned incorrect risk rating to its clients.
  - viii The Respondent had failed to ascertain the beneficial owner of its corporate clients.
  - ix The Respondent had failed to develop an ongoing mechanism to ensure that the transactions are consistent with its knowledge of the customer.
  - x The job description of the compliance officer did not meet the requirements of AML Regulations.
  - xi The Respondent did not chalk out and implement suitable training program as required under the AML Regulations.
3. It appeared from the foregoing that the Respondent *prima facie* acted in violation of the AML Regulations. Accordingly, Commission took cognizance of the aforementioned violations and served the SCN dated February 07, 2019. The Respondent submitted its reply vide email dated February 25, 2019 and made the following submissions:
- i The Respondent informed that it is in the process of winding down its business and has submitted an application to PSX for surrender of its TRE Certificate. The KATS Terminal and NCHS systems have been shut. The CDC sub-accounts of majority of its clients have been closed without any dispute.
  - ii The updated and revised AML/CFT policy has been approved by the Board of Directors on November 23, 2018.
  - iii The Respondent had provided necessary documents against highlighted clients in the Inspection, regarding their performing of CDD.
  - iv The Respondent has reportedly provided necessary documents with regard to its corporate clients.
  - v The Respondent has reportedly provided necessary documents, which substantiate the beneficial ownership of the clients.
  - vi In response to assigning incorrect risk rating to its clients, the Respondent informed that they did not have ample understanding of the AML Regulations and accepted the violations highlighted during the Inspection.
  - vii The Respondent's policy was also updated to provide for the mechanism of ongoing monitoring of its clients as per the AML Regulations.
  - viii The Respondent had reportedly included the responsibilities of compliance office in his Job Description as per the AML Regulations.

4. The Respondent was accorded an opportunity of hearing on February 26, 2019. Mr. Ali Cassim (referred to as "**Representative**") appeared on behalf of the Respondent and made the following additional submissions:



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- i The Representative, while accepting the shortcomings on its part, contended that the AML Regulations were relatively new as they were promulgated on June 13, 2018 and the guidelines were issued as late as September 2018. They were in the process of understanding the requirements contained in the AML Regulations when the Inspection was started, thus, they did not get sufficient/reasonable time to become compliant with the AML Regulations.
- ii It was emphasized by the Representative that the Respondent was in process of exiting the securities broker business and for this purpose, formal process has been initiated by intimating PSC on February 13, 2019. The Respondent informed that its KATS terminals were shut.
- iii It had requested its clients to switch their sub-accounts to other brokerage houses. Majority of the sub-accounts have been closed and the underlying securities have been transferred. Moreover, majority of remaining accounts have either frozen/blocked status or NIL balance.
- iv Lastly, the Representatives requested to take a lenient view as the AML Regulations were new, non-compliances were rectified subsequent to the Inspection and the Respondent was quitting the securities broker business.

5. I have examined the submissions of the Respondent and its Representative and the documents available on record. In its written reply and during the hearing, it was informed that the Respondent was closing down its business and has submitted an application to surrender its TRE Certificate. In this regard, information was obtained from PSX, Central Depository Company and National Clearing Company. PSX vide its notice dated February 25, 2019 informed that the Respondent had submitted an application dated February 13, 2019 to surrender of its TRE Certificate and invited claims. On April 2, 2019, it was informed by PSX that no claims have been received till date. Central Depository Company vide its email dated April 10, 2019 informed that the CDC sub-accounts of the Respondent have decreased from 382 as on June 30, 2018 to 54 as on April 9, 2019. Moreover, out of 39 active sub-accounts, 29 sub-accounts have NIL value. The accounts with material custody belong to the Respondent, its chief executive and family members. In view thereof, the SCN against the Respondent is concluded without an adverse order.

6. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.



**Shauzab Ali**  
Commissioner (SMD)

**Announced on May 22, 2019**  
Islamabad.