



Securities and Exchange Commission of Pakistan

Adjudication Division
Adjudication Department-I

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Friendly Securities (Pvt.) Limited

Dates of Hearing

January 01, 2021

Order-Redacted Version

Order dated January 13, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Friendly Securities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated June 25, 2020
2. Name of Company	Friendly Securities (Pvt.) Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Friendly securities (Pvt.) Limited
4. Nature of Offence	In view of alleged violations of Regulations 6(4), 6(3)(c), 13(1), 11(2), 4(a), 13(7), and 15(3) of AML Regulations through SCN dated June 25, 2020 under Section 40A of SECP Act, 1997 (the Act) and order dated January 13, 2021 was passed.
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the submissions made in writing and during the hearing as well as issues highlighted in the show cause notice and requirements of the AML Regulations and of the Act. The facts of the case may be summarized as under:</p> <p>(i) With regard to the violation of Regulation 6(4) of the AML Regulations, regarding ten identified instances, Respondent admitted that NADRA Verisys was not available with the Respondent at the time of inspection. Further, Respondent's correspondence with NADRA for provision of requisite system, subsequent to start of inspection reflects that timely efforts were not made by the Respondent for provision of Verisys. Thus, the Respondent was in contravention of Regulation 6(4) of the AML Regulations at the time of inspection.</p>



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	<p>(ii) The Respondent could not exhibit that at the time of inspection, it was in possession of requisite documents substantiating source of income/funds in identified cases by inspection team. The documents presented by the Respondent in hearing and in response to SCN, reflects that Respondent obtained them subsequent to Inspection. Thus, the sources of income/funds of clients were not established to perform CDD and for the purpose of ongoing monitoring of the clients, in contravention to the requirements of Regulation 6(3)(c) and 13(1) of the AML Regulations.</p> <p>(iii) The Respondent could not provide any pre-inspection evidence to substantiate that it was complying with the provisions of Regulations 11(2) of the AML Regulations. The post-inspection compliance cannot make the default good; therefore, I, am of the view that the Respondent, at the relevant time.</p> <p>(iv) The Respondent could not exhibit existence of mechanism in respect of on-going screening of clients, and maintenance of database of beneficial owners of clients. The Respondent in response to LOF stated as under:</p> <p>"We also have updated database of nominee and we also update BOD/Trustees/officer bearer and we have only 03 corporate account and we also screening our database but not have physical evidence of screening and we are in process to updated our software and also ask vendor to provide the system of screening, we shall start maintaining such records thereafter"</p> <p>During the course of hearing, the Authorized Representative informed that software for the purpose was acquired in March 2020 i.e. subsequent to inspection. It is evident from the above submissions of Respondent that it was in violation of the requirements of Regulation 4(a) and Regulation 13(7) and Regulation 15(3) of the AML Regulations.</p> <p>In view of the foregoing facts, I, am of the considered view that the Respondent has violated the requirements of the AML Regulations. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 270,000/- only (Rupees two hundred and seventy thousand) is, hereby, imposed on the Respondent Company.</p> <p>Penalty order dated January 13, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 270,000/- only (Rupees two hundred and seventy thousand) was imposed on the respondent company to ensure compliance of law in future.
7. Current Status of Order	Appeal has been filed by the respondent company