



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 GMI Capital Securities (Private)
Limited

Dates of Hearing

March 19, 2021

Order-Redacted Version

Order dated March 26, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of GMI Capital Securities (Private) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated February 17, 2021
2. Name of Company	GMI Capital Securities (Private) Limited
3. Name of Individual	The proceedings were initiated against the Company i.e. GMI Capital Securities (Private) Limited
4. Nature of Offence	In view of alleged violations of Regulations 15(3), 6(8), 11(2), 6(4), 6(3)(a) and 6(3)(c) of AML Regulations, 2018 read with Section 40A of the SECP Act, 1997.
5. Action Taken	Key findings were reported in the following manner: I have examined the written and oral submissions of the Respondent. In this regard, I observe that: i. With regard to evidence pertaining to the submission of SROs/ Emails, the Respondent has submitted copies of AML Notifications regarding proscribed persons/ entities received from AMI Department of the Commission during the review period. Further, the Respondent has also provided evidences pertaining to submission of SROs/ emails and acknowledgement received from AML Department of the Commission for the same. In view of the said record, it is evident that the Respondent has submitted responses to SROs/ Emails for the



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	<p>review period regarding addition and deletion of names on UNSC/NACTA received from the Commission. Further, that the inspection report has not quoted particular instances with regard to the SROs/Emails which were not responded during the review period. Therefore, the Respondent's contention is found to be satisfactory in the matter.</p> <p>ii. With regard to the written justification of its low risk clients, the Respondent contended that such observation was not raised during the inspection and not included in the LOF. The same was verified from the LOF and it was observed that the inspection team has not reported the observation to the Respondent. Therefore, the Respondent may not be held accountable for violation of Regulation 11(2) of the AML Regulations. Further, with respect to the risk categorization of one client, the Respondent has provided KYC/CDD checklist and risk categorization however, it is undated and not signed by any authority. From the provided evidence, date of risk categorization cannot be verified. Further, the inspection team provided that such evidence of risk categorization was not provided during the review period therefore, the Respondent is found to be non-compliant with Regulation 6(8) of the AML Regulations.</p> <p>iii. With regard to the NADRA Verisys of its clients, the Respondent during the hearing accepted that such facility was not available at the time of inspection. However, subsequently, the Respondent has acquired NADRA Verisys facility and is in the process of completing verification of all its clients. The Respondent was inquired regarding the time required to complete full-scale CNIC verification of all clients in response to which it was provided that such verification may be completed around the second week of April, 2021. The Respondent is therefore, advised to complete all verification within the specified time to ensure compliance with AML Regulations in letter and spirit.</p> <p>iv. With regard to the instances in contravention of Regulation 6(3)(a), 6(3)(c), 6(11) and 9(3) of the AML Regulations, following observations are made:</p> <p>i. Instance No.1 (CDC Account No. 508)</p> <p>The Respondent provided that the account was in-active since January 08, 2019 at the time of inspection and the client had sold all securities available in his account except for the frozen securities. An undertaking from the client's beneficial owner was also provided along with KYC/CDD for reference. Further, the beneficial owner of the client is deceased and copy of death certificate was provided. However, the KYC/CDD form provided by the Respondent during the inspection was not properly filled not signed by</p>
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the compliance officer. Further, the Respondent was unable to provide source of income/ funds of the client during the inspection. Although, the account was inactive with zero trading activity since January (08), 2019 however, no evidence with regard to source of income/ funds was obtained previously. The client was also marked as high-risk however, no EDD was conducted for the account. Therefore, the Respondent was found non-compliant with Regulation 6(3)(a), 6(3)(c) and 9(3) of the AML Regulations.

ii. Instance No. 2 (CDC Account No. 6984)

The Respondent provided copies of KYC/CDD along with Salary Slip and income tax return. It has been observed that such documentation was not available during the time of inspection. The Respondent also admitted that such evidences were not obtained during the inspection as they were in continuous follow up with the client to provided information. Although, the Respondent provided evidence of emails sent to customers to collect information. However, failing to receive such information may require the broker to terminate business relationship with such customer and to file STR. No such measures were taken by the Respondent and the evidence was obtained subsequent to the inspection. Therefore, the Respondent was found non-compliant with Regulation 6(3)(a), 6(3)(c) and 6(11) of the AML Regulations.

iii. Instance No. 3 (CDC Account No. 8527)

The Respondent provided copies of KYC/CDD along with income tax return. It has been observed that such documentation was not available during the time of inspection. The Respondent also admitted that such evidences were not obtained during the inspection as they were in continuous follow up with the client to provided information. Although, the Respondent provided evidence of emails sent to customers to collect information. However, failing to receive such information may require the broker to terminate business relationship with such customer and to file STR. No such measures were taken by the Respondent and the evidence was obtained subsequent to the inspection. Therefore, the Respondent was found non-compliant with Regulation 6(3)(a), 6(3)(c) and 6(11) of the AML Regulations.

iv. Instance No. 4 (CDC Account No. 8121)

The Respondent provided copy of service card, salary slip for the month of April, 2019 and income tax return of the main account holder during the inspection. However, KYC Form of joint account holder was not provided during the inspection. The Respondent was therefore, found non-compliant with Regulation 6(3)(a) of the AML Regulations.

In view of the foregoing and admission made by the Representatives, contraventions of



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	<p>the provisions of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 450,000/- (Rupees Four Hundred and Fifty Thousand Only) is hereby imposed on the Respondent. The Respondent is directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited within 30 days of date this Order and furnish the original deposit challan to this Office.</p> <p>Penalty order dated March 26, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 450,000/- (Rupees Four Hundred and Fifty Thousand Only) was imposed on the respondent company to ensure compliance of law in future.
7. Current Status of Order	No Appeal has been filed by the respondent company

Redacted version issued on _____ for placement of website of the Commission.