

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

In the matter of Show Cause Notice issued to HG Markets (Private)Limited

Dates of Hearing

May 27, 2022

Order-Redacted Version

Order dated July 28, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of HG Markets (Private)Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated January 04, 2022.
2. Name of Respondent	HG Markets (Private)Limited (Company and/ or the Respondent)
3. Nature of Offence	<u>Alleged contraventions of under Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (the AML Act) read with rules 4(1) and 6(1) of the AML/ CFT Sanctions Rules, 2020 (the AML Rules) and regulation 31 of the Securities & Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the Regulations).</u>
4. 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> <ul style="list-style-type: none">i. risk profiling of customers, it was observed that the Respondent did not document detail of clients such as annual income, source funds, occupational details etc. as specified in the AML Regulations. In one instance the Respondent failed to provide evidence of on-going monitoring of its client. The Respondent was found in contraventions of regulation 8, 9, 19 and note (i) of Annexure I of the AML Regulations.ii. screening of its clients against proscribed persons/entities, the Respondent failed to provide evidence of screening of beneficiaries and associated individuals of clients. The Respondent during the hearing admitted that

	<p>such documents could not be produced as they were performing manual screening and did not have knowledge on reporting of the prescribed persons/entities. The arguments of the Respondent in this regard is not tenable. The Respondent is required to maintain evidence of screening performed on regular basis which should be readily available (if required). In view of the said, the Respondent were found in contravention of regulation 25(1) and 25(2) of the AML Regulations.</p> <p>iii. Screening of new customers at the time of account opening including their nominees/ joint account holders/ authorized persons, the Respondent admitted that they did not have efficient screening system and were performing screening manually for which record was not being maintained properly as iterated in their response to the SCN. The Respondent failed to demonstrate screening of its new customers and their associated individuals and was found in contravention of regulations 8, 9, 10, 25(1) and 25(2) of the AML Regulations.</p> <p>iv. Periodic screening of customers' nominee/ joint account holders/ authorized persons, the Respondent failed to provide evidence to ensure that it performs period screening of its customers' and associated individuals from the database of proscribed/ designated persons. The same was also admitted during the hearing and the Respondent was found in contravention of regulation 19 and 25(2) of the AML Regulations The Respondent reportedly ensured that they have now automated the screening process and maintaining evidence of period screening of its clients against the proscribed/ designated persons.</p> <p>v. Internal audit function, the Respondent admitted that there was designated internal audit department at the time of this review and the same was being performed by their compliance division. Regulation 27(1)(d) of the AML Regulations requires the regulated Person to have independent audit function to test its AML/ CFT systems. The Respondent was found in contravention of regulation 27(1)(d) of the AML Regulations.</p> <p>vi. With regard to the documentation of one of its corporate clients, the Respondent provided that such documentation was provided to the JIT. At me lime of inspection, it observed that the Respondent only provided Memorandum and Article of association along with Inspiration Form-II. However, certain identity and KYC documentation were not provided i.e. Resolution of</p>
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	<p>Board of Directors for opening of account specifying the person to operate the trading account at PMEX, certified copy of latest Form-A/Form-B, and photocopies of identity documents etc. due to which such non-compliance was highlighted by the inspection team. the Respondent was found in contravention of regulation 9 read with serial 6 of Annexure I of the AML Regulations.</p> <p>vii. Compliance of SROs/ emails with the SECP, the Respondent failed to provide documentary evidence to ensure that it maintains record of the SROs/ Emails regarding addition/ deletion of names of the proscribed designated persons on UN/ NACTA lists. The Respondent was found in contravention of regulation 26(3) of the AML Regulations.</p> <p>viii. Discrepancies noted in KYC/CDD process and forms, the Respondent, failed to provide evidences/ attachments of documents related to SAOFs which were provided in the SCN. The Respondent subsequently provided some of these documents however, the record was not being maintained properly and was not readily available to the inspection team. The Respondent was found in contravention of regulation 8, 9, 19, 20 and 26(3) of the AML Regulations.</p> <p>In view of the foregoing and submissions made by the Respondent and its Representatives, contraventions of regulation 8, 9, 10, 19, 25(1), 25(2), 26(3), 27(1)(d), and note (i) of Annexure I 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. 250,000/- (<u>Rupees Two Hundred and Fifty Thousand Only</u>) is hereby imposed on the Respondent. Further, the Respondent is advised to examine its AML/ CFT policy & procedures to ensure that the requirements contain in the AML Regulations are met in letter and spirit in future.</p>
5. Penalty Imposed	250,000/-
6. Current Status of Order	Penalty deposited and No Appeal has been filed by the respondent.

