

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

In the matter of Show Cause Notice issued to HMC Stocks (Pvt.) Limited

Dates of Hearing

February 17, 2022

Order-Redacted Version

Order dated March 29, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of HMC Stocks (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated November 05, 2021.
2. Name of Respondent	HMC Stocks (Pvt.) Limited (the Respondent)
3. Nature of Offence	Alleged contraventions of <u>rules 4(1) and 6(1) of the AML/CFT Sanctions Rules, 2020 (the AML Rules) and regulation 25(1)(a), 25(2), 27(2)(c)(i), 8(3), 21(2), 11, 16,19(1), 31 and Annexure I of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the AML Regulations) read with Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (the AML Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have considered the written as well as oral submissions of the Respondent and its Representatives and observed that:</p> <p>(i) with regard to the violation of regulation 25(1) (a) and 25(2) of the AML Regulations, (a) in two (02) instances, the Respondent failed to provide the pre-Inspection date evidence regarding aforementioned screening of highlighted clients.</p> <p>(ii) with regard to the violation of regulation 25(1) (a) of the AML Regulations, the Respondent has submitted the reply of SCN along with the AML/ CFT policies and procedures. However, while reviewing the said policy, it was noted that procedures relating to the screening of the clients, their beneficial owner, joint account holder, nominees, Board of Directors, trustees and office bearers were not mentioned.</p>

In view of above, it is stated that the Respondent cannot deny violation of the aforesaid regulations of the AML Regulations.

(iii) The defaults of regulation 27(2)(c)(i) were consequential to the default of regulation 25(1)(a) of the AML Regulations as mentioned in para (i)(b).

(iv) with regard to the violation of regulation 8(3) of the AML Regulations, in five (05) instances, in their above response to the SCN and during the hearing, the Respondent admitted the violation of regulation 8(3) of the AML Regulations. Further, the Respondent informed the JIT that now, they have updated risk profiling of all clients including identified five (05) clients. Therefore, the Respondent cannot deny violation of the aforesaid regulation of the AML Regulations.

(v) with regard to the violation of regulation 21 of the AML Regulations, in four (04) instances, the Respondent did not submit pre-Inspection date evidence of the highlighted clients, which substantiate that they were fulfilling the requirements of the aforesaid regulation. Further, in their above response to the SCN and during the hearing, the Respondent admitted that subsequent to the Inspection, it has rectified the non-compliances. Therefore, the Respondent cannot deny violation of the aforesaid regulation of the AML Regulations.

(vi) with regard to the violation of clause (ii) of note contained in Annex I of the AML Regulations, in its response to the SCN and during the hearing, the Representatives of the Respondent admitted non-compliance with the aforementioned provision. Therefore, the Respondent cannot deny violation of the aforesaid regulation of the AML Regulations.

(vii) With regard to the alleged violation of regulations 11, 16, 19(1) of the AML Regulations and clause (i) (o) of note contained in Annex I thereof Respondent failed to provide pre-Inspection evidence date relating to the proof of income of four (04) clients and did not identify the beneficial owner of the two clients. The Representatives of the Respondent during the hearing admitted that subsequent to the Inspection, they have rectified the said non-compliances. Therefore, the Respondent cannot deny violation of the aforesaid regulations of the AML Regulations.

Therefore, in terms of the powers conferred under 6(A)(2)(h) of the Act, I hereby imposed penalty of Rs.970,000/- (Rupees Nine Hundred Seventy Thousand Rupees Only) on the Respondent.

	Whereas, with respect to regulation 27(2) (c), the Compliance Officer of the Respondent is warned to be careful in future. Further, the Respondent is advised to review its AML/ CFT policy & procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit, in future.
5. Penalty Imposed	Rs. 970,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondents.