

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

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

Dates of Hearing

June 02, 2021

Order-Redacted Version

Order dated June 23, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of Insight Securities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 16, 2021.
2. Name of Respondent	Insight Securities (Pvt.) Limited (the Respondent)
3. Nature of Offence	<u>Alleged contraventions of regulation 15(3), 11(2) and 6(3)(c) of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the AML Regulations) read with Section 40A of the Securities and Exchange Commission of Pakistan Act 1997 (the Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the written and oral submissions of the Respondents and observed that:</p> <ol style="list-style-type: none">i. With regard to the observation regarding database of the beneficial owners and screening of clients against proscribed individuals, the Respondent during the hearing submitted that they had performed screening of its clients but could not produce documentary evidence in this regard. The Respondent also provided that no proscribed person was detected. However, they were not keeping evidence due to a lack of understanding of the AML Regulations. The Respondent also agreed that database of beneficial owners was not maintained at the time of inspection. In view of the said submissions, the Respondent was found in contravention of regulation 15(3) of the AML Regulations.ii. With regard to the written justification of its low-risk clients, the Respondent during the hearing admitted that it had not provided description on the account opening form with the

	<p>risk rating of clients. However, subsequent to the inspection, a written justification is being maintained for all of its low-risk clients. The Respondent was therefore, found in contravention of regulation 11(2) of the AML Regulations at the time of inspection.</p> <p>iii. With regard to the source of income/ on-going monitoring of one of its clients, the Respondent during the hearing provided that the client is a known tea importer of Pakistan and a high net worth individual. The Respondent during the hearing also submitted that the client only provided a business card and was reluctant to share further information regarding his source of income. The Respondent did not produce evidence of source of income/ funds to match with the trading patterns of the client and was, therefore, found in contravention of regulation 6(3)(c) and 11(2) of the AML Regulations. The Respondent was also advised to update the client's information and take remedial measures in case of non-provision of information as per the requirements of AML laws.</p> <p>Therefore, in terms of powers conferred under Section 40A of the Act, a penalty of Rs.230,000/- (Rupees Two hundred and twenty 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>
5. Penalty Imposed	Rs. 230,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondents.