

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

**In the matter of Show Cause Notice issued to Investment Managers Securities (Private) Limited**

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Dates of Hearing

November 19, 2021

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**Order-Redacted Version**

Order dated May 24, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Investment Managers Securities (Private) Limited. Relevant details are given as hereunder:

| <b>Nature</b>         | <b>Details</b>   |
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| 1. Date of Action     | Show cause notice dated April 09, 2021.  |
| 2. Name of Respondent | Investment Managers Securities (Pvt.) Limited (the Respondent)   |
| 3. Nature of Offence  | Alleged contraventions of <u>regulation 15(3) 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 6(A)(2)(h) of the Anti-Money Laundering Act, 2010.</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 Respondent, its Representative and material available on record. In this regard, I observe that with regard to:</p> <ol style="list-style-type: none"><li>i. clients belonging to high-risk jurisdiction areas, the Respondent admitted that information pertaining to one high-risk client was not available at the time of inspection. During the inspection it was observed that the Respondent did not maintain details of customers, joint account holders, nominees, authorized persons, board of directors, trustees and office bearers who belongs to high risk jurisdictions. Further, the Respondent also admitted that it did not keep record/ evidences of periodic screening of its clients against the list of proscribed persons/ individuals. In this regard, the Respondent, during the inspection was inquired regarding 10 SROs</li></ol> |

belonging to proscribed persons/ entities which were selected on sample basis by the inspection team. however, the Respondent could only provide evidence of response to 6 SROs and evidence of 4 SROs were not provided.

Pursuant to regulation 15(3) of AML Regulations, a regulated person is required to maintain the records of identification data obtained through CDD process like copies of identification documents, account opening forms, Know Your customer forms, verification documents, other documents and result of any analysis along with record of account files and business correspondence, for a minimum period of five years after termination of the business relationship. Since the Respondent did not have such database of high-risk clients and could not provide the requisite information/ evidence pertaining to periodic screening of its clients against proscribed persons/ entities at the time of inspection therefore, it has contravened the provisions of regulation 15(3) of the AML Regulations.

- ii. evidence pertaining to the source of income/ funds of 8 randomly selected clients, the Respondent during the hearing submitted that most of the information is still missing and they are in the process of obtaining evidences of source of income/ funds of the clients.

In view of the above, the Respondent has contravened the provisions of regulation 6(3)(c) and 13(1) of the AML Regulation which requires a regulated person to conduct on-going monitoring of its clients and ensure that the transactions being conducted by the clients are consisted with the regulated persons knowledge of the customer, its business and risk profile and where appropriate, the source of funds. Further it has been observed that the Respondent has still not obtained evidences of source of income/ funds of most of the clients until the time of hearing i.e. after more than a year since the observation was highlighted by the inspection team. Such negligence and latency in complying with the requirements of the AML Regulations is hazardous keeping in view the national importance anti-money laundering regime and countering financing of terrorism which calls for vigilance on part of the regulated persons and to be proactive in measures to improve its systems and procedures for obtaining complete knowledge of its customers and business relationships. The Respondent is advised to obtain all such missing information pertaining to source of income/ funds of new

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|                            | <p>clients and legacy accounts which should be readily available and take corrective measures where such information cannot be provided by its clients.</p> <p>Therefore, in terms of powers conferred under section 40A of the Act. a penalty of Rs. <u>200,000/- (Rupees Two Hundred Thousand Only)</u> 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 MOB Bank Limited within 30 days of date this Order and furnish original deposit challan this Office.</p> |
| 5. Penalty Imposed         | Rs. 200,000/-   |
| 6. Current Status of Order | Penalty not deposited and No Appeal has been filed by the respondent.   |