

Before Amina Aziz, Director (Adjudication-I)

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

Dates of Hearing

October 10, 2022

Order-Redacted Version

Order dated November 01, 2022 was passed by Director (Adjudication-I) in the matter of Investment Managers Securities (Private) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated September 02, 2022.
2. Name of Respondent	Investment Managers Securities (Private) Limited (the Company and/or the Respondent).
3. Nature of Offence	Alleged contraventions of Regulation 25(1), 23(2), 8 and 9 of the Securities & Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 read with Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 and rules 4(1) and 6(1) of the AML/ CFT Sanctions Rules, 2020 and regulation 31 of the AML regulations thereof.
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> <p>a. Evidences related to the screening of its clients and details of board of directors of corporate clients, the Respondent during the hearing admitted that some evidences were missing as they did not automate their screening and record keeping processes. The Respondent further submitted that due to the Covid-19 pandemic their employees were working from home and therefore, such non-compliances were observed. The Respondent provided that they have subsequently collected these evidences and are also performing automatic screening of its clients along with record maintenance. The Respondent further submitted that no true match has been found in relation to the list of proscribed persons/ entities as provided by MoFA, UNSC or NACTA etc. However, the arguments provided by the Respondent are not justified. The</p>

	<p>Requirements of KYC/CDD of clients and screening are provided in the AML Regulations promulgated in June, 2018. The Respondent had failed to ensure proper screening of all its individual and corporate clients at periodic intervals and also failed to keep record of the same. Therefore, the Respondent has contravened the provisions of regulation 25(1) of the AML Regulations.</p> <p>b. Low-risk justification of its clients, the Respondent during the hearing proceedings admitted that they did not have a proper risk categorization mechanism due to the lack of system software for the purpose. The Respondent, therefore, was found in contravention of regulation 23(2) of the AML Regulations.</p> <p>c. KYC/CDD documents of 5 clients as provided in the SCN, the Respondent submitted that these accounts were opened in 2017 when requirements of AML Regulations were not applicable upon them. The justification provided by the Respondent in this regard is not tenable. The requirements of AML Regulations were first promulgated in June, 2018 and afterwards were applicable on all new client accounts and also legacy accounts. The Respondent was requirement to obtain KYC/CDD documents of all existing clients along with the relevant sources of income and other requisite documents as provided in Annexure I read with regulation 9 of the AML Regulations. However, the Respondent failed to provide these documents at the time of inspection. The Respondent was found in contravention of regulation 9 and 11 of the AML Regulations.</p> <p>In view of the foregoing and submissions made by the Respondent and its Representative, contraventions of regulation 25(1), 23(2), 8 and 9 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. 350 000/- (Three Hundred and Fifty Thousand Only) is hereby imposed on the Respondent. Further, the Respondent is advised to examine its AML/ CFT policy & procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit, in future.</p>
5. Penalty Imposed	Rs. 350,000/-
6. Current Status of Order (As of the uploading date)	Penalty deposited and no Appeal has been filed by the respondent.