

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

In the matter of Show Cause Notice issued to Merchant Investments (Private) Limited

Dates of Hearing

April 28, 2022

Order-Redacted Version

Order dated May 19, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Merchant Investments (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	Merchant Investments (Private) Limited (the Company and/ or the Respondent)
3. Nature of Offence	<u>Alleged contraventions of rules 4(1) and 6(1) of the AML / CFT Sanctions Rules, 2020 (the AML Rules) and regulation 5(a), 9(b), 21(2), 25(1), 27(2)(c)(ii) & 31 of the Securities & 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.</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have considered the facts of the case, the written and oral submissions of the Respondent and material available on record in light of the applicable legal provisions and observed that with regard to the:</p> <ul style="list-style-type: none">(i) deficiencies in its AML / CFT policy in relation to TFS obligations, the Respondent admitted that the same was not updated at the time of inspection. The Respondent was found to be non-compliant with the provisions of regulation 5(a), 27(2)(ii) and 25(1) of the AML Regulation during the review period of the inspection. However, subsequent to the inspection, the Respondent reportedly updated TFS obligations in its AML/ CFT policy.(ii) documentary evidence of source of income/ fund of three (3) clients the Respondent did not produce

	<p>sufficient documentation at the time of inspection. Further, one of the clients was also classified as high-risk client however, the Respondent did not furnish documentary evidence with regard to the EDD of the client at the time of inspection. Therefore, the Respondent was found in contravention of regulation 21(2), 9(b) and note (i) of Annexure I of the AML Regulations. During the hearing proceedings, the Respondent reportedly provided that they have now obtained all documentary evidences with regard to the source of income' funds of these clients.</p> <p>Therefore, in terms of the powers conferred under 6(A)(2)(h) of the Act, penalty of Rs. 200,000/- (<u>Rupees Two Hundred Thousand Only</u>) is hereby imposed on the Respondent. The Respondent is advised to examine its AML/ CFT policies, procedures and processes to ensure that the requirements contained in the AML Regulations are met in letter and spirit in future.</p>
5. Penalty Imposed	Rs. 200,000/-
6. Current Status of Order	Penalty not deposited and No Appeal has been filed by the respondent.