

Before Hammad Javed, Additional Director/Head of Wing (Licensed Entities-Adjudication Department-I)

In the matter of Show Cause Notice issued to MSD Capital Equities (Pvt.) Limited

Date of Hearing

December 21, 2022

Order-Redacted Version

Order dated January 10, 2023 was passed by Additional Director/Head of Wing (Licensed Entities-Adjudication Department-I) in the matter of MSD Capital Equities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated February 11, 2022.
2. Name of Respondent	MSD Capital Equities (Pvt.) Limited (the Company and/ or the Respondent).
3. Nature of Offence	Alleged contraventions of Notes (i)(o) and (iii) of Annexure 1 read with Regulation 9(b) of the AML Regulations, which attract imposition of penalty under Section 31 of the AML Regulations read with Section 6(A)(2)(h) of the Act and rule 4(1) & 6(1) of the Rules.
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case and considered the written as well as verbal submissions of the Respondent and its Representative in light of the applicable legal provisions and observed with regard to these inactive clients for the alleged contraventions of Note (i) (o) and Note (iii) of the Annexure 1 read with Regulation 9(b) of the AML Regulations that:</p> <p>a. In case of Client No. 1, the Respondent submitted that the client is not in contact for a long time, therefore, neither its KYC information could be gathered nor any trading was allowed till date. Further, the respondent provided copy of letter dated May 30, 2022, to the client as reminder no. 3 to the client in continuation to previous letters dated January 01, 2022 and March 31, 2022, which are dated at least 5 months after the review period of the inspection. Moreover, the Respondent failed to provide evidence of any remedial action taken in this regard and has also admitted the non-compliance for this Client.</p>

- b. In case of Client No.2, the Respondent has informed that the Client has reportedly deceased but the Respondent has failed to provide any evidence in this regard citing reason that the family member informed that his death certificate was misplaced. No documentary evidence has been furnished by the Respondent in this regard.
- c. In case of Client No.3, the Respondent has provided client's salary on the employer's letterhead dated February 18, 2021 (prior to inspection date) as an evidence of his source of income, which addresses the said observation.
- d. In case of Client No.4, the Respondent furnished evidence of source of income in the form of Income tax returns for the year 2021 with printing dated of September 28, 2021, which reflects that the Respondent rectified the alleged contravention, subsequent to the inspection.
- e. In case of Client No.5, the Respondent mentioned to have annexed pension details but only client's office card showing the service status as "Retired" was annexed.
- f. In case of Client No. 6, alleged contraventions of Note (i) (o) and Note (iii) of the Annexure I read with Regulation 9(b) and Regulation 11 of the AML Regulations were observed to which the Respondent has provided a copy of her income tax return for the year 2021, showing salary income, with printing date of October 19, 2021 which reflects that the Respondent rectified the alleged contravention, subsequent to the inspection.

Moreover, the Respondent did not furnish any documentary evidence to substantiate its claim that it did not allow these clients to trade without completion of missing information (communicated vide letter dated December 20, 2022) and/or its decision to disallow any clients with incomplete KYC Information as per SECP Guideline updated January 2021 (communicated vide its email dated December 21, 2022).

In view of the above, I am of the considered view that, except for Client No. 3, contravention of Note (i) (o) of Annexure 1 read with Regulation 9(b) of the AML Regulations has been established for remaining five clients. Further, the documents provided by the Respondent declares salary income for Client No. 4 and 6, thus the Respondent was also required to comply with Note (iii) of

	<p>Annexure 1 with Regulation 9(b) of the AML Regulations for these two Clients, which it failed to do so in time. The tax return for the year 2021 showing salary income for Client No. 6 further establishes Client not to be a housewife, thus no action is warranted in terms of regulation 11 of the AML Regulations. However, the Respondent is advised to immediately update the record accordingly.</p> <p>Resultantly, it is evident that the Respondent committed contravention of Note (i) (o) and (iii) of Annexure 1 read with Regulation 9(b) of the AML Regulations, which attract imposition of penalty under Section 31 of the AML Regulations read with Section 6(A)(2)(h) of the Act and rule 4(1) & 6(1) of the Rules. Hence, in exercise the powers conferred upon me, I hereby impose a penalty of Rs. 50,000/- (Rupees Fifty Thousand Only) on the Respondent on account of the established violations.</p> <p>The Respondent is advised meticulously adhere to all applicable Laws, Rules, Regulations and Directions etc. notified/issued from time to time relating to anti-money laundering and countering finance of terrorism in true letter and spirit at all times</p>
5. Penalty Imposed	Rs.50,000/-
6. Current Status of Order (As of the uploading date)	Penalty deposited and No Appeal has been filed by the respondent.