

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

In the matter of Show Cause Notice issued to Muhammad Ashfaq Hussain Securities (Pvt.) Limited

Dates of Hearing

November 19, 2021

Order-Redacted Version

Order dated May 07, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Muhammad Ashfaq Hussain Securities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated June 03, 2021.
2. Name of Respondent	Muhammad Ashfaq Hussain Securities (Pvt.) Limited (the Respondent)
3. Nature of Offence	<u>Alleged contraventions of Regulations 6(3)(a) & (c), 6(5)(a), 11(2), and 13(7) of 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 as well as oral submissions of the Respondent and its Representatives and observed that:</p> <ul style="list-style-type: none">(i) with regard to the alleged violation of regulations 6(5)(a) and 13(7) of the AML Regulations, the Respondent submitted the pre-Inspection evidence i.e. system generated screening report of all main account holder, their joint account holders, nominees and board of directors as of July 1, 2020, substantiating compliance at its end;(ii) with regard to the alleged violation of regulation 11(2) of the AML Regulations, in ten instances, the Respondent submitted the pre-Inspection evidence i.e. KYC/ CDD checklist, wherein the reason for low assigned risk to the

	<p>highlighted clients was mentioned, substantiating compliance at its end; and</p> <p>(iii) with regard to the violation of regulation 6(3)(a) and (c) of the AML Regulations, in ten instances, the Respondent has submitted the pre-Inspection evidences of 5 clients, which depicts that they are meeting the requirements of the aforesaid regulations. In remaining 5 instances, the Respondent could not submit pre-Inspection evidence of source of income of clients. In 4 instances post-Inspection dates were printed on tax returns and in one instance only tax return acknowledgement slip was printed which cannot be considered as a proof of funds/income.</p> <p>The aforesaid depicts that the Respondent has obtained the evidences subsequent to the Inspection. Thus, the Respondent was in contravention of regulation 6(3)(c) of the AML Regulations in those five instances.</p> <p>Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs.65,000/- (Rupees Sixty-Five Thousand Rupees Only) is hereby imposed on the Respondent. 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.</p>
5. Penalty Imposed	Rs. 65,000/-
6. Current Status of Order	Penalty deposited and No Appeal has been filed by the respondent.