

**Before Amina Aziz, Director/HOW (Adjudication-I)**

**In the matter of Show Cause Notice issued to NBP Fund Management Limited**

Dates of Hearing

October 06, 2022

**Order-Redacted Version**

Order dated November 18, 2022 was passed by Director/Head of Wing (Adjudication-I) in the matter of NBP Fund Management Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated August 10, 2022.
2. Name of Respondent(s)	NBP Fund Management Limited, (the Company and/ or the Respondent)
3. Nature of Offence	Alleged contraventions of <u>regulations 25(1)(a) &amp; 8(3) read with regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the AML Regulations); rules 4(1) &amp; 6(1) of the AML/CFT Sanction Rules, 2020 (the AML Rules); and Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (the AML Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case in light of the applicable provisions of the law and has given due consideration to the written submissions and verbal arguments of the Respondent and its Representatives and is of view that:</p> <p>(i) The clients' database maintained by the Respondent was deficient in respect of the directors' information of three (3) Active Corporate Clients during the review period of the inspection. Although, the Respondent sent letters to these clients for updation of missing information of directors, which was not updated by the client's despite of issuing reminders while sending them the annual account balance statement by the Respondent. However, the Respondent failed to take any concrete steps to update the missing information until the issuance of the SCN. The Respondent could have marked these accounts as inactive, dormant or blocked, etc., as it did subsequent to the issuance of SCN. It is pertinent to mention that the percentage/proportion of the missing information of clients to the total clients does not matter, missing information in respect of a single client possesses a risk of missing out the screening of the clients against the proscribed person list while conducting periodic screening, which could invalidate the whole screening process of an entity.</p>

	<p>(ii) The father's / husband's name in respect of four (4) clients were also missing in the database during the review period and the same has been updated by the Respondent subsequent to the issuance of SCN. However, these accounts were inactive, had zero balances, and were marked as legacy accounts by the Respondent. Further, due to the availability of the feature of auto-generation of alerts in respect of initiation of any transaction in legacy accounts (which were then scrutinized for missing information) the risk of missing the KYC/CDD procedure in legacy accounts for being a Low-Risk categorization has been voided.</p> <p>(iii) With regard to varied risk categorization of clients the Respondent admitted the default in respect of one (1) client. It is appreciable that the Respondent has rectified the deficiency and updated its KYC/AML policy in respect of risk categorization as per the recommendation of the Inspection team, however, the varied risk categorization in respect of one (1) client was exist in the record of the Responded during the review period of the Inspection.</p> <p>(iv) With regard to marking two (2) account holders at Low Risk despite being PEP, it is pertinent to mention that the positions of Director, Regional Director, and General Manager are senior-level positions in government-owned entities and banks. Therefore, the argument of the Respondent is not tenable.</p> <p>In view of the above, the database used by the Respondent for screening purposes was deficient in respect of three (3) corporate clients. Hence, the Company was exposed to a risk of forming relationships with associates of the proscribed persons, moreover, the record of the Company exhibited one (1) and two (2) instances of varied and improper risk categorization respectively. Thus, violation of regulations 25(1)(a) and 8(3) of the AML Regulation is established. Therefore, the Company is liable to be penalized under regulation 31 of the AML Regulations; rules 4(1) &amp; 6(1) of the AML Rules; and Section 6A(2)(h) of the AML Act. Hence, in exercise of the powers conferred under Section 6 A(2)(h) of the AML Act, I hereby, impose a fine of <b>Rs. 150,000/- (Rupees; One Hundred and Fifty Thousand Only)</b> on the Company on account of the aforesaid conceded and established non-compliances of the AML Regulations.</p>
5. Penalty Imposed	Rs. 150,000/-
6. Current Status of Order	Penalty Deposited and No Appeal has been filed by the respondents.