

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

In the matter of Show Cause Notice issued to Networth Securities Limited

Dates of Hearing

June 02, 2021

Order-Redacted Version

Order dated August 04, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of Networth Securities Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 01, 2021.
2. Name of Respondent	Networth Securities Limited (the Respondent)
3. Nature of Offence	<u>Alleged contraventions of Regulation 4(a), 18(c)(iii), 11(2), 7(2)(a) and 6(4) 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 authorized representative and observe that:</p> <p>i. with regard to the alleged violation of regulation 4(a) of the AML Regulations, the Respondent claimed that chapter No. 21 of its AML policy covers the requirement of the said regulation. However, the review of the contents transpired deficiencies with respect to regulatory requirements. During the hearing, the authorized representative of the Respondent admitted the violation and submitted that the highlighted deficiencies would be made part of its AML policy on priority;</p> <p>ii. the default of regulation 1 8(c)(iii) was consequential to the default of regulation 4(a) of the AML Regulations, so it cannot be denied;</p> <p>iii. the Respondent presented KYC/ CDD forms to substantiate compliance of regulation 1 1 (2) of the AML Regulations.</p>

	<p>However, the remarks written in comment section of KYC/ CDD forms cannot be considered as justification of marking those highlighted instances as low risk customers. During the hearing, the authorized representative of the Respondent admitted the contravention and claimed that subsequent to the Inspection, the default has rectified it;</p> <p>iv. contention of the Respondent that it had carried out KYC/ CDD of the identified Trust and regulation 7(2)(a) of the AML Regulations does not require to fill the KYC form for trustees, is not tenable. It was obligation of the Respondent under regulation 7(2)(a) of the AML Regulations to identify and verify the identity of the settlor, the trustee, the protector (if any), the beneficiaries and any natural person exercising ultimate ownership, ultimate control or ultimate effective control over the trust. Therefore, the Respondent cannot deny the aforesaid violation of the AML Regulations</p> <p>v. In context of alleged violation of regulation 6(4) of the AML Regulations, the Respondent furnished evidence that letters were issued in the highlighted instances before the expiry of their CNICs. However, it was note that those letters were issued with delay as compared to time line prescribed in the AMT Regulations.</p> <p>Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs.150,000/- (Rupees One Hundred Fifty Thousand Only) is hereby imposed on the Respondent. Whereas, with respect noncompliance of regulation 1 8 (c) (iii) of the AML Regulations, the Compliance Officer of the Respondent is warned to be careful in future. The Respondent is advised to examine its AML/ CFT policies/ methodologies & procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.</p>
5. Penalty Imposed	Rs. 150,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondents.