



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION

Before Commissioner (SCD)

In the matter of Show Cause Notice issued to National Investment Trust Limited under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 and Section 282J (1) read with Section 282M (1) of the Companies Ordinance, 1984

Date of hearing:

December 06, 2018

Present:

National Investment Trust Limited

- i. Mr. Manzoor Ahmed, Acting Managing Director*
- ii. Mr. Faisal Aslam, Head of Compliance*
- iii. Mr. Shahid Aziz, Zonal Manager - North*

Assisting the Commissioner (SCD)

- i. Mr. Muhammad Jahangir, Joint Director*
- ii. Mr. Wazirzada Yasir A. Khan, Deputy Director*

ORDER

This Order shall dispose of proceedings initiated against National Investment Trust Limited (the "Company" or the "AMC") through Show Cause Notice (the "SCN") bearing No. SCD/AMCW/ADJUDICATION/NITL/180/2018 dated November 16, 2018 under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 and Section 282J (1) read with Section 282M (1) of the Companies Ordinance, 1984 (the "Ordinance").

2. The brief facts of the case are that a limited scope inspection of the Company was ordered under Section 282I of the Ordinance vide inspection order bearing number SCD/S&ED-IW/NITL/2018/35 dated August 27, 2018 to review compliance with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 ("AML & CFT Regulations") and Circular 12 of 2009. As per the inspection findings, the Company did not obtain sufficient documents for Know Your Customer/Customer Due Diligence ("KYC/CDD") which included clear identifiable source of income, copies of CNICs of the Governing Body of the account holder, certificate of registration and financial statements regarding Account Numbers 78720, 88404 and 74331 resulting in non-compliance with the Regulation 6(3) (c), 6(4), 9(1), 9(4) (b) of AML & CFT Regulations and clause 2(a), 4 (a) of the Circular 12 of 2009.



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3. Consequently, SCN dated November 16, 2018 was issued whereby the AMC was called upon to show cause in writing by November 26, 2018 as to why penal action may not be taken for the above-mentioned non-compliances and the hearing in the matter was scheduled for November 30, 2018, however, at the request of the AMC, the same was rescheduled for December 6, 2018.

4. In response to the SCN, the Company through it's letter dated November 26, 2018 provided account wise response which is summarized as follows:

Account No.	Details
78720	She initially opened a joint account (A/C No: 34108) with her late husband in 2003. After the demise of her husband in the year 2013 she became the principal account holder for this account. The amount in this account became the source of her subsequent investment in funds managed by the AMC. Further, she retired in October 21, 2009 as a Government servant thereby her source of income was largely pension and inherited capital from her husband.
74331	AMC relied on available documents including bank statements of sister company due to the nature of the organization. It is important to mention that the title of said bank statement is exactly the same as the title of account maintained with the AMC.
88404	The accountholder is a substantial shareholder of the Company since 1974 and its major source of income is dividend received from various investments including the investment in question with the AMC. Moreover, Its Memorandum of Association also allows it to make such investments.

The following documents were also submitted by the AMC along with the written response:

- i. **Account Number 78720:** copy of customer's joint account opening form with her late husband, death certificate of account holder's husband and a request to transfer the investment in her name after demise of her husband;
- ii. **Account Number 74331:** account opening forms and the bank statements of the unitholder;



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iii. **Account Number 88404:** Audited financial statements, Tax returns for year ended June 30, 2017, Memorandum of Association, Article of Association, certificate of registration and names of persons of the Governing Body along with copies of CNICs.

5. Hearing in the matter was held on December 06, 2018, which was attended by Mr. Manzoor Ahmed, Acting Managing Director, Mr. Faisal Aslam, Head of Compliance and Mr. Shahid Aziz, Zonal Manager-North (the "Respondents"). During the course of hearing, the Respondents made submissions mainly reiterating the earlier written stance of the AMC. The Respondents stated that when they had initially submitted the requisite documents to the SECP's inspection team, the inspection team neither sought any clarification nor gave an opportunity to explain the breaches/violation of regulatory framework. Furthermore, the Respondents also argued that the accounts were opened way before the promulgation of AML & CFT Regulations.

6. During the hearing, the Respondents' attention was also drawn towards Clause 6 of Circular No. 12 of 2009, which requires that KYC/CDD is not a one-time exercise but an ongoing process. The Respondents were also informed that the SCN primarily contains all observations of the inspection team, therefore, an opportunity has been provided to the AMC to explain its viewpoint. The Respondents were apprised about the necessity of diligently conducting the KYC/CDD process while entering into formal relationship with any investor. The Respondents were informed that the transferring of money from a bank account to an Asset Management Company's account may not be reliable means of identifying the source of funds of a customer and in no way absolves the Company of its responsibility to comply with the regulatory requirements for AML/CFT. It was further added that the onus of conducting a thorough KYC/CDD process falls entirely on the Company itself. The Respondents were also advised that complete documentation highlighting evidence of source of funds of Account No. 78270 and 74331 should be submitted.

7. In light of the points raised during the hearing, the AMC through letter dated December 21, 2018 provided the following further information to substantiate their stance.

Account Number 78270: complete details of investments and disinvestments in the funds of AMC by the account holder.



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Account Number 74331: certificate of incorporation along with Memorandum & Article of Association including names of the Governing Body members.

8. I have examined the facts of the case, written responses submitted along with documentary evidences, the arguments put forth by the Respondents during the course of hearing and the relevant regulatory requirements. I am of the view that the AMC was found to be negligent to the extent that the requisite documents were not provided/readily available during inspection rather these were provided after initiation of adjudication proceedings. However, by taking a lenient view this time, the AMC is hereby warned to ensure compliance of the AML/CFT regulatory framework in letter and spirit. It is pertinent to mention that future non-compliances, if any, shall be strictly dealt with in accordance with the enforcement action(s) as provided in law.

9. I would like to mention that the regulatory requirements relating to AML/CFT have been implemented since long, thus, all regulated persons are required to ensure strict compliance with this regime by remaining vigilant and putting in place requisite system and control procedures. I also consider it important to direct the management of the Company to organize appropriate training programs for the concerned employees to enable them to better understand the requirements of the regulatory framework for AML/CFT vis-à-vis their respective roles and responsibilities. In this regard, I would like to draw AMC's attention towards guidelines issued by the Commission to supplement the AML & CFT Regulations by elaborating on the general requirements of the regulatory framework in order to help Regulated Persons in better understanding the AML/CFT responsibilities.

10. This Order is issued without prejudice to any other action that the Commission may initiate against the AMC in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.

"Say no to Corruption"

Shauzab Ali
Commissioner (SCD)

Announced: January 8, 2019 at Islamabad