

*Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)*

**In the matter of Show Cause Notice issued to M/s. 128 Securities (Pvt) Limited**

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Date of Hearing

July 01, 2020

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**Order-Redacted Version**

Order dated July 09, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of 128 Securities (Pvt) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 27, 2020
2. Name of Company	128 Securities (Pvt) Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. 128 Securities (Pvt) Limited and its Compliance Officer.
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for the alleged violations of Regulation 4(a) and 18 c(iii) of the AML/CFT Regulations, 2018.
5. Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have examined the written as well as oral submissions of the Respondent and its Authorized Representatives. In this regard, I observe that:</p> <ul style="list-style-type: none"><li>i. The primary justification extended by the Respondent for not having an updated AML policy was that the AML Regulations were new (promulgated in 2018) and reasonable time was not available to understand the compliance required. The explanation of the Respondent does not hold merit. While the AML Regulations were issued in 2018 but the requirements contained therein are not new. Rather the requirements were introduced in 2012 when Karachi Stock Exchange (presently PSX) with the approval of the Commission, through Regulation 4.18 of the Rule Book made it mandatory for the securities brokers to formulate and implement an effective KYC and CDD policy in accordance with the Know Your Customer and Customer Due Diligence Guidelines issued by the Exchange. A comparison of the regulatory framework of 2012 with AML</li></ul>



**Securities and Exchange Commission of Pakistan**  
**Adjudication Division**  
**Adjudication Department-I**

	<p>Regulations does not reflect any material difference in terms of requirements. Further, the Review was initiated in month of February, 2019 i.e. eight months after the promulgation of AML Regulations. Therefore, the AML Regulations cannot be termed as new set of requirements and the argument of the Respondent that sufficient time was not available for compliance, is untenable.</p> <p>ii. With regard the violation of Regulation 4(a) of the AML Regulations, the response of Respondent on letter of finding vide its dated January 23,2020 that these points were apologetically overlooked to incorporate in AML/CFT policy shows that policy was deficient at the time of Review. During the hearing, the Authorized Representatives also admitted the default on part of Respondent.</p> <p>iii. The Authorized Representatives admitted the violation of Regulation 18 c (iii) and submitted that subsequent to the Review, Respondent updated its AML policy in accordance with the regulatory requirements.</p> <p>In view of the foregoing and admission made by the Representatives, contraventions of the provisions of AML Regulations 4(a) and 18 c(iii) have been established, however in reference to Regulation 18 c(iii) Compliance officer is warned to be careful in future. For rest of the violations, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 175,000/- (Rupees One hundred seventy-five thousand) is hereby imposed on 128 Securities (Pvt.) Limited. The 128 Securities (Pvt.) Limited is advised to examine its AML/CFT policy &amp; procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.</p> <p>Penalty order dated July 09, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 175,000 (Rupees One hundred and seventy-five thousand only) was issued to the Company.
7. Current Status of Order	An appeal has been filed against this Order.

**Redacted version issued for placement on the website of the Commission.**