

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

In the matter of Show Cause Notice issued to A.I. Securities Private Limited

Date of Hearing	September 30, 2020
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Order-Redacted Version

Order dated November 11, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of A.I. Securities Private Limited. Relevant details are given as hereunder:

Nature	Details
<ul style="list-style-type: none">• Date of Action	Show Cause notice dated October 25, 2020.
<ul style="list-style-type: none">• Name of Company	A.I. Securities Private Limited.
<ul style="list-style-type: none">• Name of Individual	The proceedings were initiated against the Company i.e. A.I. Securities Private Limited.
<ul style="list-style-type: none">• Nature of Offence	Proceedings under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 and Section 150 of the Securities Act, 2015.
<ul style="list-style-type: none">• Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have carefully examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondents. I am of the considered view that the Respondents did not ensure their compliance with the mandatory provisions of the Regulations in the following instances:</p> <ol style="list-style-type: none">With regard to the deficiencies in AML/CFT Policy, the Respondent contended that the observations have already been covered in their earlier approved policy dated November 23, 2018. The Respondent provided that the entity level risk management has been covered under clause 14 of their AML/CFT policy. Further, the area with respect to new products, practices and technologies has also been covered under clause 12.6 and 12.10 of their AML/CFT policy. The Respondent's contention in this regard is tenable as the policy sufficiently covers the risk assessment in both areas and therefore, no action is warranted.With regard to the internal audit function, the Respondent vide its reply to the findings of the review had provided that they had formed an internal audit committee for the company where the Chief Executive Officer was actively looking after the affairs on a daily basis in consultation with the compliance officer. In reply to the SCN, the Respondent also provided that they had subsequently outsourced their internal audit function in November, 2019. However, such action was taken subsequent to the review. Therefore, the Respondent has been found to be non-compliant with Regulation 4(d) of the AML Regulations

	<p>and Regulation 16(9) (e) of the Licensing Regulations.</p> <p>c. With regard to the maintenance of details of beneficial ownership, the Respondent had admitted to the observation of the Review and provided that due to low scale operations, the broker was non-compliant with Regulation 7(1) of the AML Regulations. The Respondent further provided that subsequently they have been establishing details of beneficial ownership of all such clients in their database. The Respondent's contention in this regard is not tenable as having a small-scale business does not absolve the Respondents obligation to comply with the AML Regulations. Therefore, the Respondent has been found to be non-compliant with Regulation 7(1) of the AML Regulations</p> <p>In view of the foregoing and admission made by the Representatives, contraventions of the provisions of AML Regulations & Licensing Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 250.000/- (Rupees Two Hundred and Fifty Thousand Only) is hereby imposed on the Respondent. Further, in terms of powers conferred under section 150 of the Securities Act 2015, a penalty of Rs. 100.000/- (Rupees One Hundred Thousand Only) is also imposed on the Respondent.</p> <p>Penalty Order dated November 11, 2020 was passed by Executive Director (Adjudication-I).</p>
<ul style="list-style-type: none"> Penalty Imposed 	Penalty of 350,000/- (Rupees Two Hundred Five Thousand only) was imposed.
<ul style="list-style-type: none"> Current Status of Order 	Appeal was filed against the Order.

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