

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

In the matter of Show Cause Notice issued to Abbasi & Company Pvt. Limited

Date of Hearing

February 13, 2020

Order-Redacted Version

Order dated March 17, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Abbasi & Company Pvt. Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated January 23, 2020
2. Name of Company	Abbasi & Company Pvt. Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Abbasi & Company Pvt. Limited
4. Nature of Offence	In view of alleged violations of Anti Money Laundering Regulations, 2018, proceedings were initiated in terms of section 40A of the Securities and Exchange Commission of Pakistan Act, 1997, for violation of Regulation 15(3), Regulation 4(a) and Regulation 6(3) of the AML and 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 submissions made in writing and during the hearing as well as issues highlighted in the show cause notice and requirements of the AML Regulations, 2018. The facts of the case may be summarized as under:</p> <p>a. During the hearing the Respondent admitted that it had no access to the NADRA system, therefore. Respondent did not fulfill the requirements of the Regulations 6(4) of the AML Regulations by not validating the identity documents of highlighted instances</p>



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through NADRA Verysis. Respondent contended that accounts of clients were opened only after approval from National Clearing Company of Pakistan Limited (NCCPL). The argument of Respondent is not justifiable as approval from NCCPL cannot substitute the statutory requirement of validation of identity documents of clients and clients' nominees/joint account holders/BOD/trustees etc. Further Respondent could not substantiate that in the highlighted instance, profession of client was verified with proper documents. The evidence produced by Respondent was merely a salary statement printed on plain page without any signature or attestation by the employer. During the hearing, the Authorized Representatives stated that subsequent to the inspection the Respondent has removed the identified deficiency. Moreover, the Respondent also informed that the process of obtaining the NADRA verisys system has been initiated to comply the Regulations.

- b. In context of the compliance of Regulations 15(3), the Respondent has failed to furnish any documentary evidence to demonstrate that record of screening of its customer was being maintained at the time of inspection. Authorized Representative submitted during the hearing that subsequent to the inspection, Respondent has taken remedial measures to comply with the Regulation. Therefore, Respondent has been found in violation of Regulations 15(3) of AML Regulations.
- c. The Respondent could not furnish any documentary evidence to substantiate that at the time of inspection it was maintaining database of proscribed persons as well as designated persons as intimated by UNSCR and NACTA from time to time to enable it to effectively conduct screening of its customer and their beneficiary owner, or their beneficiary owner, or their authorized persons or nominees. The Authorized Representatives submitted after pointing out the default by the inspection team. Respondent has updated the system in the light of the said requirements of the Regulations. Though no proscribed person or entity was revealed as customer of the Respondent in Inspection, however, contravention of Respondent with the requirements of Regulation 4(a) AML Regulations is evident.



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	<p>d. During the hearing, the Authorized Representatives of the Respondent conceded that in the two instances highlighted by the inspection team, clients' identity and their beneficiary ownership were not verified from reliable/independent sources. In the identified instances, clients were assessed merely on the basis of letter head of companies and proof regarding source of income/funds was not available with the Respondent at the time of inspection. Respondent submitted during the hearing that subsequent to the inspection, matter was rectified to comply with the Regulation 6(3) of AML Regulations. Considering the above facts, non-compliance of Regulation 6(3) of AML Regulations is evident on part of Respondent.</p> <p>e. The record including correspondence/emails to the clients submitted by the Authorized Representatives during the hearing, substantiates that Respondent took appropriate measures to comply with the requirements of Regulation 14(4), 14(6) and 6(11) in the identified instances, therefore, no action against the Respondent is warranted in the said instances. However, Respondent needs to ensure that the procedures should be well defined in case of non-cooperation by clients in performing CDD measures and accounts of such client be suspended/deactivated for operations till the compliance in the matter.</p> <p>Penalty order dated March, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs.400,000/- (Rupees four hundred thousand) was imposed on the Company. Moreover, it was directed to implement measures to manage risks of AML/CFT.
7. Current Status of Order	An appeal has been filed against this order.

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