

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

In the matter of Show Cause Notice issued to Adeel & Nadeem Securities Pvt. Limited

Date of Hearing

February 10, 2020

Order-Redacted Version

Order dated March 10, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Adeel & Nadeem Securities Pvt. Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated January 28 2020
2. Name of Company	Adeel & Nadeem Securities Pvt. Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Adeel & Nadeem Securities 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 6(4) and Regulation 15(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, they did not fulfill the requirements of the Regulations 6(4) of the AML Regulations by not validating the identity documents of highlighted instances through NADRA Verysis. Respondent contended that accounts of clients were opened only after approval from National Clearing</p>



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	<p>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.</p> <p>b. The Respondent could not furnish any documentary evidence to substantiate that it had maintained record of verification documents as per the requirements of Regulations 15(3) of AML Regulations at the time of inspection. The evidence produced by the Respondent during the hearing were undated screening reports which are of no evidential value. Therefore, in my view Respondent has contravened Regulations 15(3) of AML Regulations.</p> <p>c. The alleged contravention of Regulation 4(a) of the AML Regulations on ground that up dated policy of the Respondent had not specifically covered areas for identification of high risk jurisdiction in Pakistan e.g. clients from porous borders. Southern Punjab. Baluchistan etc. and transnational risks as stipulated in National Risk Assessment (NRA) 2019, is not untenable as internal risk assessment under NRA 2019 is not covered under AML Regulations and as well as in Guidelines on AML Regulations issued by the Commission in September 2018. The adoption of risk assessment framework in line with NRA 2019 was become obligation of the Respondent only after on issuance of notification by the Commission vide S.R.O. 55(1)/2020 dated 28th January 2020. Furthermore, with regard to the compliance of Regulation 4(a) and 13(7) of the AML Regulations, the Respondent has provided the evidence that they are complying with the requirements of the said Regulations.</p> <p>d. The Respondent has provided evidences i.e. salary slip and income tax return of 2018 of a highlighted instance which</p>
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	<p>has justified its stance for ongoing monitoring with the customer relationship.</p> <p>e. With regard to inappropriate risk rating of its clients in violation Regulation 6(8) of the AML Regulations, AML department of the Commission has confirmed that that in view the feedback from industry and supervisory teams regarding customer categorization as “medium” risk, the AML Regulations 2018 are being amended to include moderate risk category for customer’s rating. Therefore, considering the aforesaid the alleged violation of Regulation 6(8) of the AML Regulations against the Respondent is unwarranted.</p> <p>f. The Respondent has provided evidence (income tax return of 2018) reflecting source of fund in case of highlighted instance, in support of its stance that there was no need of generation of an STR in that case.</p> <p>Penalty order dated March, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs.300,000/- (Rupees three 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	No appeal has been filed

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