

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

In the matter of Show Cause Notice issued to Alfa Adhi Securities Private Limited

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Date of Hearing

February 12, 2020

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**Order-Redacted Version**

Order dated March 9, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Alfa Adhi Securities (Pvt) Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated January 27, 2020
2. Name of Company	Alfa Adhi Securities (Pvt) Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Alfa Adhi Securities (Pvt) Limited
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for violations of inter-alia Regulation 6(4) read with Note (i) of Annexure-I and Regulations 4(a), 6(3)(c), 7(1), 9(4), 13(3) and 13(7) of 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 by the Respondent and its Representatives. In this regard, I observe that:</p> <ul style="list-style-type: none"><li>i. With regard to the deficiencies in the Screening Mechanism, it was observed that:<ul style="list-style-type: none"><li>a. The Respondent had conducted screening of its clients with NACTA list of proscribed persons/ entities however; such screening was not conducted against the list of proscribed persons/entities by UNSC. The Respondent admitted to the said observation and provided that they are in the process of</li></ul></li></ul>



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**Adjudication Division**  
**Adjudication Department-I**

screening of all its clients against the proscribed lists of UNSC/ NACTA and the screening will be completed by March, 2020.

- b. The centralized database was found to be deficient with respect to the Beneficial owners of its clients for screening purposes. The Respondent admitted to the same and provided that they are in the process of completion of their database and the screening process will be completed by March, 2020.
- c. The Respondent did not provide evidence of on-going monitoring process adopted for its clients and was therefore, found non-compliant. The Respondent submitted that on-going monitoring process was adopted subsequent to the observation highlighted in the Review.

In view of the above, The Respondent was found non-compliant with Regulation 4(a) & 13(7) of the AML Regulations.

- ii. With regard to the on-going monitoring of its clients, 16 instances were identified wherein the Respondent had not provided evidence related to the sources of funds/ income. The Respondent was inquired regarding the CDD of such clients during the hearing wherein the Respondent provided that it has a long-standing relationship with these clients and therefore, it was reluctant to obtain such information relating to the CDD Requirements. However, such a reason cannot be used as an excuse to comply with the requirements of the AML Requirements. The AML Regulations requires a regulated person to use such measures as to conduct on-going monitoring of its clients on periodic basis and obtain such information/ documents to ensure that the clients trading activity commensurate with their level of income/ source of funds. The Respondent was therefore, found non-compliant with regulation 6(3)(c) & 13(7) of the AML Regulations. The Respondent in its response provided that subsequent to the inspection, it has taken measures to implement appropriate CDD measures and call from such information from clients. The Respondent is advised to complete CDD measures and call from such information from clients. The Respondent is advised to complete CDD profile of all highlighted clients. The Respondent is further advised to formulate and implement a policy/ procedure w.r.t clients who do not provide the requisite



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**Adjudication Division**  
**Adjudication Department-I**

	<p>CDD/EDD documents in which regard clarification may be sought from Anti Money Laundering (AML) Department of the Commission.</p> <p>iii. With regard to the EDD procedure for its high-risk clients, the Respondent submitted that they are in the phase of implementation of EDD and since it is a new system therefore, it will take time for its clients to accept these regulations. During the review, it was observed that the Respondent had failed to adopt any procedures of EDD for its high-risk clients and therefore, found non-compliant with Regulation 9(4) &amp; 13(3) of the AML Regulations. The Respondent is advised to comply with the requirements of the Regulations in letter and spirit and adopt necessary measures/ controls for EDD of all its high-risk clients.</p> <p>iv. With regard to the verification of identity documents of its clients through NADRA Verisys system, the Respondent submitted that they had adopted E-Sahulat for verification of identity documents which is an alternative to Verisys system. However, the requirements of the Regulations clearly provide for the verification through NADRA Verisys system and therefore, the Respondent was found non-compliant with Regulation 6(4) read with Note (i) of Annexure-I of the AML Regulations. The Respondent was advised to conduct NADRA Verisys of all its clients and related parties and further, seek clarification from AML Department if required in the matter.</p> <p>v. With regard to the beneficial ownership of its corporate clients, the Respondent failed to obtain list of directors of 2 entities. The Respondent admitted to the observation and provided that such list has been obtained subsequent to the Review. However, during the Review, the Respondent failed to provide evidence of beneficial ownership of 2 corporate clients due to which it was found non-compliant with Regulation 7(1) of the AML Regulations. The Respondent is advised to conduct appropriate CDD of legal persons/ arrangements as per the requirements of Regulation 7 of the AML Regulations and obtain such information/ documents as required.</p> <p>In the view of the foregoing and the admission by the Respondent, contravention of the provisions of the AML Regulations have been established. Therefore, in term of the power conferred under Section 40A of the Act, a penalty of Rs. 475,000/- (Rupees four hundred and seventy-five thousand only)</p>
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**Adjudication Department-I**

	<p>is hereby imposed on the Respondent. The Respondent is advised to enforce the provisions of AML Regulations in letter and spirit.</p> <p>Penalty order dated March 9, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 475,000/- (Rupees four hundred and seventy-fifty thousand only) was imposed on 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.