

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

In the matter of Show Cause Notice issued to Amer Securities Pvt. Limited

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Date of Hearing

February 13, 2020

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**Order-Redacted Version**

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

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated January 23, 2020
2. Name of Company	Amer Securities Pvt. Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Amer 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(3), 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 Authorized Representative admitted that Respondent did not have 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 photocopies of identity documents of thirteen highlighted instances through NADKA Verysis. The contention that Respondent opened accounts of clients after approval from National Clearing Company of Pakistan Limited (NCCPL) is not Justifiable as</p>



# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

	<p>approval from NCCPL cannot substitute the statutory requirement of validation of identity documents of clients. Moreover, it could not be substantiated that Respondent had evidence of source of income of two identified client at the time of inspection. Subsequent to the hearing, the Respondent submitted the following information/documents:</p> <ol style="list-style-type: none"><li>i. Letter dated "nil" requesting NADRA to provide the Verisys system.</li><li>ii. In respect of highlighted deficiency regarding proof of service in two instances, a letter from client for closing of his account, copy of visiting card of 2<sup>nd</sup>* client depicting his designation, name and address of his employer.</li></ol> <p>Nevertheless, it is evident from aforesaid that Respondent has contravened Regulation 6(4) of the AML Regulations by not meeting the statutory requirements.</p> <ol style="list-style-type: none"><li>b. Authorized Representative admitted the default and submitted that subsequent to the inspection, they rectified the default with respect to the compliance of Regulations 15(3) of AML Regulations. In this regard. Authorized Representative furnished KYC/CDD checklists dated December 12, 2019 of a highlighted instance evidencing screening of identified Joint account holder.</li><li>c. Respondent could not furnish any documentary evidence, that at the time of inspection.<ol style="list-style-type: none"><li>i. Respondent was maintaining up to date database of proscribed persons</li><li>ii. Respondent was maintain a system for generating alerts regarding the expiry of client's CNIC at least one month prior to their actual expiry date</li></ol></li></ol> <p>During hearing, the Authorized Representatives admitted the defaults and submitted that subsequent to the inspection. Respondent complied Regulation 4(a) of the A.M.L Regulations in respect areas highlighted in (a) &amp; (b) above.</p> <p>The alleged contravention of Regulation 4(a) of the AML Regulations on ground that updated 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(I)/2020 dated 28<sup>th</sup> January 2020.</p>
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# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

	<p>d. The violation of Regulation 18(c) (iii) was alleged on the grounds that the Compliance Officer of the Respondent did not updated AML/CFT policies and procedures to cater internal risk assessment as per NRA 2019. However, in view of the facts mentioned in para (iii) above, the alleged noncompliance is not tenable.</p> <p>e. The Respondent has failed to provide evidence of verifying and documenting the ultimate beneficial owner of the clients in identified instances. Therefore, contravention of Regulation 6(3) of the AML Regulations is evident.</p> <p>f. Respondent could not substantiate with proper documentary evidence that the adequacy of customer information was periodically reviewed as per the requirements of the Regulation. Regulation 13(3) of the AML Regulations, in two instances identified by inspection team. During the hearing, the Authorized Representatives of the Respondent stated that subsequent to the inspection, they rectified the default.</p> <p>g. 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>h. Respondent has failed to identify and verify the person purporting to act on behalf of the customer as signed blank authority letter were identified in two highlighted instances. During the hearing, the Authorized Representatives of the Respondent admitted the highlighted deficiencies and slated that subsequent to the inspection. Respondent complied the requirement of the Regulation 6(7)(b) of the AML Regulations.</p> <p>Penalty order dated 09 March, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs.850,000/- (Rupees eight hundred fifty 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



# Securities and Exchange Commission of Pakistan

## Adjudication Division

### Adjudication Department-I

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