

*Before Shauzab Ali, Commissioner (SMD)*

**In the matter of Show Cause Notice issued to Float Securities (Pvt) Limited**

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Date of Hearing

November 06, 2019

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**Order-Redacted Version**

Order dated April 21, 2020 was passed by Commissioner (SMD) in the matter of Float Securities (Pvt) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated October 25, 2019
2. Name of Company	Float Securities (Pvt) Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Float Securities (Pvt) Limited
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for violations of inter-alia Regulation 4(d) and 18(c)(ii) of AML and CFT Regulations, 2018_and Regulation 16(9)(e) of the Licensing Regulations.
5. Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have examined the submissions of the Respondent and its Representative. In this regard, I observe that:</p> <p>(a) With regard to the deficiencies in AML/CFT Policy, the Respondent submitted that its updated policy was shared with the Commission vide letter dated July 24, 2019 wherein the requisite two points were adequately addressed. With reference to recording of reasons for reporting of Suspicious Transactions Report, Section # 19 and 20 of the Respondent's AML/CFT policy comprehensively covers the same. Further, Section # 21 of the AML/CFT policy also covers the Employee Training Program with respect AML/CFT enforcement regime and provides for a suitable training program on annual basis. The</p>



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Respondent's policy sufficiently addresses the observations raised during the review. Hence, no action is warranted in this regard.

(b) With regard to observation regarding the independence of audit function, the Respondent submitted that it is a small sized private firm with limited capacity. The Respondent further provided that its chief compliance officer was also supervising the role of internal audit as he was most qualified and suited to oversee such assignment with direct reporting to Chairman of Board of Directors. The Respondent submitted that any additional cost incurred on human resource will make their business un-viable to operate. The justification thus provided by the Respondent is not tenable. Regulation 4(d) of the AML regulation clearly stipulates the requirement for an independent audit function and the same is also provided in Regulation 16(9)(e) of the Licensing Regulations for Securities Brokers. Dual role of Chief Compliance Officer and Head of Internal Audit raises serious concern regarding the independence of its audit function. Therefore, the size of the business cannot be used as an excuse to exempt from the requirements of the Regulations. Further, it was also observed that the internal audit report for the period January 01, 2018 to June 30, 2018 does not sufficiently cover all areas provided in AML/CFT guidelines to tests its AML/CFT systems. The Respondent was therefore, found non-compliant with the Regulation 4(d) of the AML Regulations and Regulation 16(9)(e) of the Licensing Regulations.

(c) With regard to the observation regarding the deficiencies in the compliance report, it was observed during the review that the compliance report for the months of July, 2018 to February, 2019 did not cover the aspects of AML/CFT. The Respondent in reply to the SCN submitted a checklist for assessment of AML/CFT aspects of its house which has been duly filed on June 27, 2019 and prepared by its Chief Compliance Officer. However, previously, the Respondent had submitted a single pager document as its compliance report for the year ended June 30, 2018 which is deficient in several aspects as proscribed under AML Regulations and Guidelines. As per Regulation 18(c)(ii) of the AML Regulations, the Compliance Officer is responsible to ensure that the internal policies, procedures and controls for prevention of ML/TF are approved by board of directors of regulated person and are effectively implemented. The Compliance Officers of the Respondent failed to implement the internal policies and procedures with respect to aspects of AML/CFT Regulations and



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	<p>therefore, no such document was submitted by the Respondent. Therefore, the Respondent was found non-compliant with Regulation 18(c)(ii) of the AML Regulations.</p> <p>In view of the foregoing and admission made by the Representatives, contraventions of the provisions of the AML Regulations &amp; Licensing Regulations have been established. Therefore, in terms of power conferred under Section 40A of the Act, a penalty of Rs. 150,000/- (Rupees one 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. 50,000/- (Rupees fifty thousand only) is also imposed on the Respondent.</p> <p>Penalty order dated April 21, 2020 was passed by Commissioner (SMD)</p>
6. Penalty Imposed	A penalty of Rs. 200,000/- (Rupees two hundred thousand only) was imposed on the Company in aggregate.
7. Current Status of Order	An appeal has been filed against this order.

Redacted version issued for placement of website of the Commission.