

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

**In the matter of Show Cause Notice issued to ASA Stocks Private Limited**

Date of Hearing	December 03, 2020
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**Order-Redacted Version**

Order dated December 30, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of ASA Stocks Private Limited. Relevant details are given as hereunder:

Nature	Details
• Date of Action	Show Cause notice dated June 24, 2020.
• Name of Company	ASA Stocks Private Limited.
• Name of Individual	The proceedings were initiated against the Company i.e. ASA Stocks Private Limited and its Compliance Officer.
• Nature of Offence	Proceedings under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997.
• Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have carefully examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondents. I am of the considered view that the Respondents did not ensure their compliance with the mandatory provisions of the Regulations in the following instances:</p> <ol style="list-style-type: none"><li>i. The admission of Respondent with regard to the violation of Regulation 4(a), Regulation 13(7) of the AML Regulations, is already on record as in its response to letter of findings (LOF), the Respondent admitted that list of customer's nominee, joint account holder, authorized person, BOD, Trustees and office bearer is not officially maintained for requisite screening and no record/evidence of screening is available/maintained. In the absence of (i) said list/database and (ii) evidence of screening, the claim of requisite screening by Respondent is not tenable. The submission of Respondent in response to LOF that it is in the process of creating the database of beneficial owner of its customers also reflects that information required for requisite screening was not even available with the Respondent at the time of Inspection. During the hearing, the Authorized Representative informed that subsequent to the Inspection Respondent it has rectified the identified defaults. Therefore, the Respondent cannot deny the violation of Regulations 4(a), 13(7) and 15(3) of the AML Regulations.</li><li>ii. Respondent did not provide their comments on the highlighted deficiencies policies in response to LOF. Furthermore, during the hearing and in response to the SCN, it was admitted that subsequent to the Inspection, Respondent has rectified the default of Regulation 4(a) by addressing the deficiencies in its AML/CFT policy. Thus,</li></ol>

	<p>contravention of Regulation 18(c) (iii) cannot be denied as it was consequential to the default of Regulation 4(a) of the AML Regulations.</p> <p>iii. In context of the alleged violations of Regulations 6(4), it was admitted that NADRA Verisys system was not available with the Respondent for requisite validation of identification documents (CNICs). Authorized Representative informed that application for provision of Verisys systems has been filed with NADRA by the Respondent to rectify the default. It clearly depicts that at the time of Inspection the Respondent was in contravention of aforesaid Regulation of the AML Regulations.</p> <p>iv. In response to Inspection team’s letter of finding, the Respondent did not provide the required evidence related to sources of income/ funds in respect of highlighted clients. During the hearing, the authorized representative claimed that subsequent to the Inspection they have rectified the said default. Hence, the violation of Regulation 6(3) (c) of the AML Regulations is evident.</p> <p>v. With regard the violations of Regulations 6(3)(c), 9(4)(b) and 10(3) the AML Regulations, the Authorized Representative submitted that subsequent to the Inspection Respondent has updated its record and complied with the regulatory requirements by removing the deficiencies identified in the inspection. Therefore, violations of Regulations 6(3) (c), 9(4)(b) and 1(0)(3) the AML Regulations on part of Respondent is on record and evident.</p> <p>vi. In view of the foregoing and admission made by the Representatives, contraventions of the provisions of Regulations 4(a), 13(7), 15(3), 18(c)(iii), 6(4), 6(3)(c), 9(4)(b) and 10(3) of AML Regulations have been established. Therefore, in terms of powers conferred under section 4(A) of the Act, a penalty of <b>Rs. 310,000/- (Rupees three hundred ten thousand)</b> is hereby imposed on the ASA Stock (Private) Limited. However, in reference to Regulation 18(c) (iii) Compliance Officer of Respondent is warned to be careful in future. The Respondent is advised to examine its AML/CFT policy &amp; procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.</p> <p>Penalty Order dated December 30, 2020 was passed by Executive Director (Adjudication-I).</p>
<ul style="list-style-type: none"> <li>Penalty Imposed</li> </ul>	<p>Penalty of 310,000/- (<u>Rupees Three Hundred Ten Thousand only</u>) was imposed.</p>

• Current Status of Order	No Appeal was filed against the Order.
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Redacted version issued for placement on the website of the Commission.