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

**In the matter of Show Cause Notice issued to Asad Mustafa Securities Private Limited**

|  |  |
| --- | --- |
| Date of Hearing | October 26, 2020 |

**Order-Redacted Version**

Order dated November 18, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Asad Mustafa Securities Private Limited. Relevant details are given as hereunder:

|  |  |
| --- | --- |
| **Nature** | **Details** |
| * Date of Action | Show Cause notice dated June 24, 2020. |
| * Name of Company | Asad Mustafa Securities Private Limited. |
| * Name of Individual | The proceedings were initiated against the Company i.e. Asad Mustafa Securities Private Limited. |
| * Nature of Offence | Proceedings under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997. |
| * Action Taken | Key findings of default of Regulations were reported in the following manner:  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:   1. Information submitted by the Respondent at the time of Inspection through submission of daily filled questionnaire dated November 27, 2019 revealed that Respondent is not maintaining centralized database of customer containing details of beneficial owner for forward and backward monitoring of proscribed/designated persons. Similarly, in the same questionnaire, Respondent could not provide affirmative response in context of mechanism for identification of beneficial owner. It was mandatory to comply with the requirements of the law, thus arguments of the Respondent is not tenable that there was no beneficial ownership of an account other than its account holder, so no mechanism was necessitated. Moreover, the Respondent did not provide any pre-inspection evidence of complying with the requirement of the provision of Regulation 4(a) and 13(7) of the AML Regulation. During the Hearing, the authorized representative admitted the violation of the said Regulations and claimed that default has been rectified subsequent to the Inspection. 2. During the hearing and in response to Letter of Findings, 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 also contended that they have strictly enforced policy to conduct biometric verification of all of its customers. The argument of the Respondent is not justifiable as conducting biometric verification cannot substitute the statutory requirement of validation of identity documents of main account holders. Joint account holder and Nominees. Further, the Respondent did not produce any pre-inspection evidence exhibiting its efforts to obtain the said facility from NADRA. 3. The Respondent has provided risk profiling forms of the highlighted customers which substantiate that assigned low risk rating to its clients was based on a mechanism, thus, the Respondent has not violated the Regulation 6(8) of the AML Regulations w.r.t highlighted instances. 4. In view of the foregoing facts, I am of the considered view that flagrant and multiple violations of the provisions of Regulations 4(a), 13(7) and 6(4) of the AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of **Rs. 250,000/- (Rupees Two Hundred Fifty Thousand only)** is hereby imposed on the Company. The Respondent is advised to examine its AML/CFT policy & procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.   Penalty Order dated November 18, 2020 was passed by Executive Director (Adjudication-I). |
| * Penalty Imposed | Penalty of 250,000/- (Rupees Two Hundred Five Thousand only**)** was imposed. |
| * Current Status of Order | Appeal has been filed against the Order. |

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