

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

In the matter of Show Cause Notice issued to Askari Securities Limited

Date of Hearing

February 14, 2020

Order-Redacted Version

Order dated March 16, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Askari Securities Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated January 28, 2020
2. Name of Company	Askari Securities Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Askari Securities 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 4(a), Regulation 13(3), Regulation 13(7), Regulation 18(c)(i)(ii)(iii), Regulation 10(1), Regulation 6(11), Regulation 13(1) and Regulation 6(3)(c) 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>i. Admittedly, the information pertaining to joint account-holders, authorized persons, nominees and beneficiaries of clients was not being maintained in the database of the Company. Consequently, the Company did not periodically review the adequacy of information of their clients/beneficial ownership. Thus,</p>



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	<p>no monitoring of any possible relationship with proscribed individuals/ entities was being performed. Moreover, the screening of members of BOD, Trustees, authorized persons, beneficiaries and nominees of the specified 7 PSX and 5 PMEX clients was not performed. This state of affairs has resulted in violations of Regulation 4(a), Regulations 13(3) and Regulation 13(7);</p> <p>ii. The compliance function of the Company has been ineffective and the Compliance Officer failed to discharge his duties and functions under the relevant provisions of the Regulations but the Company did not take timely remedial measures to address the issues in its compliance functions. Moreover, internal policies, procedures and controls were not fully implemented to prevent ML/ TF risks. However, the Company did not address these issues in its compliance functions on timely basis. Thus, violations of Regulations 18(c)(i)(ii)(iii) have been established.</p> <p>iii. Admittedly, the Company's AML/CFT policy dated October 23, 2019 does not specify the procedure for determination of PEPS, which constitutes violation of Regulation 10(1).</p> <p>iv. In case of a specified client, he was not marked as PEP and accordingly, his risk category was not enhanced; his source of income was also not established by appropriate means. This lapse constitutes violations of Regulation 10(1) and Regulation 9(4)(b).</p> <p>v. The source of funding and nature of income was not established in respect of the specified 8 clients. The Company stated that it sent the Investment Profile Form to its existing/ old clients three times for seeking the information along with documents pertaining to their sources of income/ funds but very small number of clients provided forms along with documents. The</p>
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	<p>Company has set the target that would ensure completeness of investment profile along with relevant documents in respect of at least 30% accounts by June 2020. However, Regulation 6(11) requires that where the Regulation Person is not able to satisfactorily complete the required CDD measures, existing business relationship shall be terminated and consideration shall be given if the circumstances are suspicious so as to warrant the filing of an STR in relation to the customer. Therefore, the provisions of Regulation 6(11) have been violated.</p> <p>vi. Significant transactions were recorded in 3 PSX and 2 PMEX clients' accounts, however, no due diligence was performed; no monitoring was carried out in respect of significant amount deposited by the clients; and their sources of funds were also not established. This state of affairs constitutes violation of Regulation 13(1).</p> <p>vii. The Company did not carry out monitoring of accounts/ transactions on an ongoing basis in respect of specified 8 PSX customers and 4 PMEX customers to ensure that the transactions being conducted are consistent with its knowledge about the customer, the customer's business and risk profile, including, the source of funds and, updating records and data. The Company has stated that upgrading of back-office software is in process. After the implementation of the system, the Company would be capable of monitoring of transactions and screening of clients' data. It would also enable the company to carry out CDD and EDD of its clients. Failure in monitoring of accounts/ transactions of its clients on an ongoing basis has established violation of Regulation 6(3)(c).</p> <p>Penalty order dated 16 March, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs.900,000/- (Rupees nine hundred thousand) was imposed on the Company. Moreover, it was directed to implement measures to manage risks of AML/CFT.



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7. Current Status of Order	An appeal has been filed against this order.
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