

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

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

Date of Hearing

December 24, 2019

Order-Redacted Version

Order dated January 07, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of BIPL Securities Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated December 16, 2019
2. Name of Company	BIPL Securities Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. BIPL 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 11(2), Regulation 13(3), Regulation 4(a) and Regulation 13(7)) 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. As required in Regulation 11(2), the Respondent has failed to furnish any evidence of recording Justification for categorizing customers as low risk. The contention of the Respondent that risk profiling checklist also serve as a substitute of written Justification required under the Regulation is not plausible. Authorized Representatives submitted that subsequent to identification of default, Respondent has started recording Justifications for categorizing customers as low risk.</p>



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	<p>b. During the hearing, the Authorized Representatives submitted that Respondent has stalled its ongoing monitoring procedures since April 2019 and thereafter initiated an exercise to obtain updated information from the clients as per the regulation in October 2019. The Respondent reiterated the fact communicated earlier in its response to LOF that out of approximately 8,500 active customers till date only approximately 500 clients have submitted the requisite documents. Hence, the Respondent was not compliant with the Regulation 13(3) of AMI Regulations which are applicable since June 2018.</p> <p>c. Respondent admitted that automated process deployed for customer screening can only search in the list available on NACTA website and is not capable of fetching data from Portable Document Format (PDF) SROs available on NACTA website. Furthermore, the Respondent could not provide documentary proof evidencing that manual screening was being conducted in respect of such SROs in PDF format available on NACTA website. Further, Authorized Representatives has admitted that the system to monitor expired CNICs of its clients has been deployed in December 2019. Hence, the Respondent was in violation of Regulations 4(a) of AML Regulations.</p> <p>d. Respondent admitted that its back-office system does not has provision to maintain data base pertaining to name, CNIC and other details of directors, shareholders, trustees and partners etc. related to its clients, consequently Respondent could not screened these names in the entities and individuals covered in sub-regulation (5a) of regulation 6 at the time of establishment of relationship and continuing relationship with such customers. Authorized Representatives also informed that Respondent has developed the required functionality and the same is in test phase. In view of aforesaid, Respondent was in the violation of Regulation 13(7) of AML Regulations.</p> <p>Penalty order dated January 07, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs.300,000/- (Rupees three hundred thousand) was imposed on the Company. Moreover, it was directed to implement measures to manage risks of AML/CFT.
7. Current Status of Order	An Appeal has been filed by the respondents

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