

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

In the matter of Show Cause Notice issued to M/s. Bridge Securities (Pvt) Limited

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Date of Hearing

July 02, 2020

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**Order-Redacted Version**

Order dated July 14, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Bridge Securities (Pvt) Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated June 05, 2020
2. Name of Company	Bridge Securities (Pvt) Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Bridge Securities (Pvt) Limited and its Compliance Officer.
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for the violations of Regulation 4(a), 13(7), 6(3)(a), 6(5)(a), 6(3)(c), 15(3), and Regulation 6(4) read with Annexure I(i) 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 of the Respondent. In this regard, I observe that:</p> <ol style="list-style-type: none"><li>i. With regard to the deficiencies in AML/CFT Policy in light of the NRA 2019, the Respondent had provided that they have updated their AML/KYC policy in line with the NRA update 2019 in BOD meeting dated November 08, 2019 for which a copy of Board Resolution was also provided. Further, with regard to the on-going monitoring of its clients, the Respondent provided copies of its internal reports in the matter of on-going monitoring of its clients on weekly, monthly and quarterly basis starting in July, 2019. Review of on-going monitoring reports revealed that the Respondent had implemented on-going monitoring mechanism for its clients wherein their trading activity is</li></ol>



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	<p>monitored on regular basis along with their level of income/ sources of funds. Further, the Respondent had also included the procedure for on-going monitoring of its clients in its AML/CFT policy which was approved by the Board of Directors vide Board Resolution dated July 25, 2019. Therefore, the Respondent may not be held accountable in the matter of violation of Regulation 4(a), 13(1) &amp; 18(c)(iii) of the AML Regulations pertaining to this observation.</p> <p>ii. With regard to the observation regarding the screening mechanism of its clients, nominees, joint account holders and authorized persons against the list of proscribed persons, the Respondent submitted that they do perform the screening of such individuals against the list of proscribed persons and the same was performed manually. Subsequent to the inspection, the Respondent in reply to the SCN provided its excel sheet working wherein the database of such individuals was being maintained for screening. However, during the inspection, it was noted that the Respondent's database was incomplete with respect to its clients' nominees, joint account holders, and beneficial owners due to which the authenticity of its screening mechanism could not be ensured. Therefore, the Respondent was found non-compliant with Regulation 4(a), 13(7) &amp; 15(3) of the AML Regulations pertaining to this observation.</p> <p>iii. With regard to the NADRA Verisys of its clients, their nominees, joint account holders, BoDs, and authorized persons, the Respondent had provided Verisys of 12 clients as provided in the SCN. However, apparently the documents were arranged subsequent to the findings of the inspection team. During the inspection, it was observed that the Respondent did not have a mechanism to perform NADRA Verisys and therefore, the Respondent was found non-compliant with Regulation 6(4) read with Annexure I (Note i) of the AML Regulations.</p> <p>iv. With regard to the observation regarding the source of income/ funds/ identification of beneficial ownership in 2 instances, the Respondent provided tax return and statement of beneficial ownership for one client. In the said instance, the Respondent had only submitted Father's NTN Registration for the client at the time of inspection. In the other instance, the Respondent provided copies of tax returns for the client. However, no supporting documents were provided during the inspection. The Respondent's contention in this regard is not tenable as such documents were not available during the inspection and apparently arranged subsequent to the inspection. Therefore, the Respondent was found in contravention of Regulation 6(3)(a), 6(3)(c), &amp; 6(5)(a) of the AML Regulations.</p>
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	<p>In view of the foregoing and admission made by the Respondent and Representatives, contraventions of the provisions of 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 and fifty thousand only) is hereby imposed on Bridge Securities (Pvt.) Ltd.</p> <p>Penalty Order dated July 14, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 250,000/- (Rupees two hundred and fifty thousand only) was imposed on the Company.
7. Current Status of Order	An appeal has been filed against this Order.

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