



# Securities and Exchange Commission of Pakistan

Adjudication Division  
Adjudication Department-I

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

In the matter of Show Cause Notice issued to Bawa Securities (Pvt.) Limited

Dates of Hearing

January 06, 2021

## Order-Redacted Version

Order dated January 12, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Bawa Securities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show Cause notice dated November 10, 2020
2. Name of Company	Bawa Securities (Pvt.) Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Bawa Securities (Pvt.) Limited and its Compliance Officer
4. Nature of Offence	In view of alleged violations of Regulations 4(a), 18(c)(iii), 18(c)(ii), 4(b), 13(7), 15(1), 11 (2), 15(3), 6(3)(a), 6(3) (c) and 13(3) of AML Regulations.
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the fact of case, the written as well as oral submissions of the Respondent and its Authorized Representatives. In this regard, I observe that:</p> <p>i. In context of violation of Regulation 4(a) of the AML Regulations, the Respondent in response to Letter of Findings (LOF) submitted that inadvertently old copy of AML/CFT policy was provided to Inspection team. During the hearing and in response to SCN it was admitted that Board of Respondent approved its updated AML policy on July 29, 2020 and same was provided to inspection team in response LOF on August 17, 2020. Authorized Representatives admitted</p>



# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

	<p>that even updated AML Policy of the Respondent revised on July 29, 2020 was deficient on two grounds as identified in SCN. It was claimed that subsequently that default was rectified in September 2020. Therefore, violation of Regulation 4(a) of the AML, Regulations on part of Respondent cannot be denied.</p> <p>ii. The default of Regulation 18 c (iii) is consequential to the default of Regulation 4(a) or the AML Regulations.</p> <p>iii. The Respondent could not substantiate compliance of Regulations 18( c)(ii) and 4(b) or AML Regulations that prior to inspection Respondent was effectively implementing, monitoring and enhancing internal policies, procedures and controls for prevention of ML/TF. Moreover, Respondent could not exhibit evidences regarding maintenance of checklist or any working paper for ensuring compliance with AML Regulations, submission of monthly compliance to BOD and circulation of AML/CFT Policy &amp; procedures to concerned employees, prior to Inspection. Furthermore, the Compliance Officer of the Respondent while responding to AML thematic review document dated July 24, 2020, admitted deficiencies in following manner:</p> <p>"Currently, no procedures or checklist has been maintained by the Respondent. Noted for future compliance. The compliance officer verbally informed to the CEO. No proscribed reporting line in this regard. Further, Compliance Officer has informed that they didn't have practice to prepare monthly compliance report for onward submission to BOD"</p> <p>During the hearing, Authorized Representatives admitted violations of Regulations I 8(c)(ii) and 4(b) of AML Regulations and</p>
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# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

informed that from December 20,2020 onward Respondent is complying with the said provisions of law. Therefore, the Respondent cannot deny the violations of requirements of the said Regulations.

In respect of alleged noncompliance of Regulation 14(2), the Authorized Representatives contended that subsection 2 of Regulation 14 is in context of regulatory requirements of Reporting of Transactions (STRs/CTRs). Authorized Representatives further contended that since no instance of non-reporting of STR or CTR has been alleged in LOF or SCN, attributing non-compliant with Regulation 14(2) of the AML/CFT Regulations is not justified. The contentions of Authorized Representative are plausible as all requirements prescribed in Regulation 14 of AML Regulation revolves around reporting of STRs/CTRs. Thus, Respondent was not found in violation of Regulation 14(2) of AML Regulations.

- iv. In context of violation of Regulation 13(7) of the AML Regulations, the Respondent in response to Letter of Findings (LOF) submitted that now it has started to enter detail of CEO, Board of Directors and Authorized Persons in its back-office record and started their screening. It was also submitted that Respondent is also updating old corporate accounts. Furthermore, the Compliance Officer of the Respondent while responding to AML thematic review document dated July 24, 2020, acknowledged the deficiency that Respondent was unable to perform required screening activity as available database with Respondent didn't had details of board of director of corporate clients. During the hearing Authorized Representatives claimed that subsequent to the Inspection Respondent has complied with the requirement of the Regulation 13(7) of the AML Regulations. Thus, Respondent was in



# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

	<p>contravention of 13(7) of the AML Regulations at the time of inspection.</p> <p>V. In context of violations of Regulations 15(1) of the AML Regulations, in response to JIT's Letter of Finding, the Respondent informed that Respondent was not maintaining evidences of the screening and but now it has started to maintain proper evidence of screening from the list of proscribed persons. During the hearing, the Authorized Representatives admitted the said violation and claimed subsequent rectification of identified default. Therefore, the violation of Regulation 15(1) of the AML Regulations is evident.</p> <p>vi. The Respondent did not provide any pre-inspection evidence to substantiate that it was complying with the provisions of Regulations 11 (2) of the AML Regulations In respect of nine identified customers. During the hearing, Authorized Representatives acknowledged the contravention and claimed that identified deficiencies have been rectified subsequent to the Inspection.</p> <p>vii. The Respondent failed to substantiate that it was complying with the provisions or Regulations 15(3) of the AML Regulations in respect of two identified customers at the time of Inspection. Further, in response to LOF submitted that it has now started to perform K YC/CDD of directors and authorized persons in the identified instances. Default was also admitted during the hearing by Authorized Representatives. Hence violation of Regulation 15(3) of the AM I, Regulations is evident.</p> <p>viii. During the hearing, the Authorized Representatives confessed the violations of the Regulations 6(3)(a), 6(3)(c) and 13(3) of the AML Regulations.</p>
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# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

	<p>In view of the foregoing and admission made by the Representatives, contraventions of the provisions of Regulations 4(a), 18( c)(iii), 18( c)(ii), 4(b) , 13(7), 15( 1), 11 (2), 15(3), 6(3)(a), 6(3)( c) and 13(3) of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 475,000/- (Rupees four hundred seventy-five thousand) is hereby imposed on the Respondent. However, in reference to Regulation 18(c)(ii) &amp; 18(c)(iii), Compliance office 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 January 12, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 475,000/- (Rupees four hundred seventy-five thousand only) was imposed on respondents to ensure compliance of law in future.
7. Current Status of Order	Appeal has been filed by the respondents

Redacted version issued for placement of website of the Commission.