

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

In the matter of Show Cause Notice issued to Atlas Asset Management Company Limited

Date of Hearing	October 02, 2020
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Order-Redacted Version

Order dated November 12, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Atlas Asset Management Company Limited. Relevant details are given as hereunder:

Nature	Details
• Date of Action	Show Cause notice dated August 27, 2020.
• Name of Company	Atlas Asset Management Company Limited. (AAML)
• Name of Individual	The proceedings were initiated against the Company i.e. Atlas Asset Management Company Limited.
• Nature of Offence	Proceedings under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) for violations of Regulations 6(4) read with Annexure I, 6(5a) read with 13(7) and 7(1) (b) of the SECP (AML/CFT) Regulations, 2018.
• Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have carefully examined the facts of the case, considered the documentary evidence placed on the record and the arguments put forth by the Company. I am of the view that the submissions by AAML are not plausible on the basis of following:</p> <ol style="list-style-type: none">a. It was observed that due diligence was not being exercised while opening accounts in contravention of Regulation 6(4) of the AML Regulations, as a result of which complete information of the investors was not present in the unit holder register. Moreover, the process of obtaining mandatory missing documents and regularizing the database was initiated after the inspection team raised the observations. The deficiencies in the records in terms of mandatory documents, raises questions in terms of the effectiveness of compliance function or internal audit department.b. The presence of deficiencies in the unit holder register of AAML reflected that the database was not being reviewed periodically, as a result of which the documents that were missing had not been updated. This leads me to believe that there are significant weaknesses in the compliance function.c. It is a matter of serious concern that although considerable time has passed since the issuance of AML Regulations (issued in June 2018), AAML, still had not been able to complete the process of verifying customers/beneficial owners/ nominees identity. Such a delay indicates laxity and weakness in responsiveness of the management. In the

absence of requisite documents/information, the screening of unitholder database is rendered ineffective and does not serve the purpose/objective of screening unitholders/beneficial owners completely. The absence of such critical document such as a CNIC is likely to expose the Company to inefficient screening of its customers with SROs /notifications issued by NACTA/Provisional governments/ Ministry of foreign affairs, etc. and simultaneously exposed the AMC to a potential risk of forming business relationship with a proscribed person. The aforementioned lapse clearly indicates violations of Regulation 6(5a) and 13(7) of the AML Regulations.

- d. The arguments provided by the AAML to the show cause notice that “*At the time of account opening list of four directors along with copies of CNICs were provided and screened accordingly. During subsequent review it was noted that the names of four directors and one of the major shareholders were mentioned in Form A,*” is not admitted since it had been highlighted by the Inspection team. Had it been observed by the AAML previously, it would have already updated the information in the database. This reflects the laxity exercised by AAML in conducting appropriate due diligence of the directors and sponsors of the investor company, thereby contravening Regulation 7(1) (b) of the AML Regulations.

I have taken into consideration the fact that AAML has made best efforts to remove the deficiencies highlighted in the database. Nevertheless, the same was done after the observations were pointed out by the Inspection team. AAML is an Asset Management Company with a diverse customer base and a professional management and should be professional enough to avoid such irregularities and deficiencies. It needs to take cognizance of how to improve and strengthen its operational procedures and systems and to improve its system by automating them and providing inbuilt checks in the system that can generate timely alerts. AAML is required to focus on the review and monitoring on continuous basis. It is the obligation of management to ensure that it is implementing the AML and CFT Regulations, in the letter and spirit. It is important to understand that any lapse in compliance of the same poses a serious threat to national interest. Therefore, there is a need to make serious and effective measures to mitigate money laundering and terrorist finance risk. Therefore, the Company is advised to ensure major focus on establishing and maintaining comprehensive risk management systems and controls to enable it to identify, control and monitor risks and deficiencies in relation to AML/CFT Regime.

However based on my observation given in paras above, I am of the considered view that non-compliance of requirements of the AML/CFT Regulation 6(4), 6(5a), 7(1) (b) and 13(7) of AML/CFT Regulations have been established. Therefore, in terms of powers conferred under section 40A of the SECP Act, 1997 (XLII of 1997), a penalty of **Rs. 190,000/- (Rupees One Hundred and Ninety Thousand Only)** is hereby imposed on the Respondent.

	Penalty Order dated November 12, 2020 was passed by Executive Director (Adjudication-I).
<ul style="list-style-type: none">Penalty Imposed	Penalty of Rs.190,000/- (<u>Rupees One Hundred Ninety Thousand only</u>) was imposed on the Company.
<ul style="list-style-type: none">Current Status of Order	No appeal has been filed against the Order.

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