



# 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 R. T. Securities (Pvt.) Limited

Dates of Hearing

January 7, 2021

## Order-Redacted Version

Order dated January 18, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of R. T. Securities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated May 19, 2020
2. Name of Company	R. T. Securities (Pvt.) Limited
3. Name of Individual*	The proceedings were initiated against the company and its compliance officer i.e. R. T. Securities (Pvt.) Limited
4. Nature of Offence	In view of alleged violation of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 proceedings initiated under section 40A of Securities and Exchange Commission of Pakistan Act, 1997 (the Act).
5. Action Taken	Key findings were reported in the following manner:  I have examined the written as well as oral submissions of the Respondent and its Authorized Representatives. In this regard, I observe that:  i. In response to SCN, Respondent though provided cross referencing to exhibit its compliance with AML Regulations. However, during the hearing, Authorized Representative admitted that Respondent updated its AML policy on November 5, 2019 and prior to that deficiencies existed in the said policy of Respondent. Therefore, Respondent remained in contravention of Regulation 4(a) of AML prior to November 5, 2019.



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ii. The defaults of Regulation 18(c)(iii) were consequential to the default of Regulation 4(a) of the AML Regulations.

iii. The Respondent could not provide any evidence, to substantiate that it was complying with the provisions of Regulations 4(a) and 13(7) of the AML Regulations prior to inspection. During the hearing, the authorized representatives admitted the said violation and claimed that Respondent has started to comply with the said Regulations subsequent to the Inspection. Thus, default of said Regulations cannot be denied.

iv. With regard to the violation of Regulation 7(1)(b) of the AML Regulations, in a highlighted instance, in response to letter of finding, the Respondent did not provide Form-A or Form 29 required to ascertain the beneficial owner associated with the client and neither submitted its comments on identified deficiency. During the hearing, the Authorized Representatives admitted the default and claimed that subsequent to Inspection rectification has been taken by the Respondent.

v. With regard to the violation of Regulation 6(3)(a), 6(3)(c) and 13(1) of the AML Regulations, in response to the JIT's Letter of Finding, the Respondent failed to furnish any evidence in respect of source of income in six identified instances. Respondent provided tax returns of two identified clients wherein mismatch between the client's asset custody value and source of income was observed. In context of other four instances, Respondent failed to provide evidence in respect of their respective source of income. Hence, violations of the aforementioned regulations are evident.

vi. Respondent could not exhibit that it conducted proper EDD of identified client. Inconsistency in information regarding customer was ignored as online NTN verification reflect customer as a salaried individual whereas same customer was mentioned as "House Wife" in CDC sub account opening form. The copy of tax return for year 2016 depicts her annual income of Rs.4.30 million. Furthermore, Respondent ignored mismatch between the client's asset custody value and source of income. Hence, the Respondent has failed to comply 9(4)(b) by not conducting ongoing monitoring of the high-risk client and by fail to conduct EDD and updates client's respective records.

vii. With regard to the violation of Regulation 6(4) of the AML Regulations, regarding thirteen identified instances, Authorized Representatives admitted that NADRA Verisys was not available with the Respondent at the time of inspection. Further, Respondent



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	<p>correspondence with NADRA for provision of requisite system, subsequent to inspection i.e on September 18, 2020 reflects that timely efforts were not made by Respondent for provision of Verisys. Thus, Respondent was in contravention of Regulation 6(4) of the AML Regulations at the time of inspection.</p> <p>vii. The Respondent could not provide any evidence that it was complying with the provisions of Regulations 11 (2) of the AML Regulations in respect often identified customers, to substantiate. During the hearing, default was admitted by Authorized Representatives.</p> <p>2. In view of the foregoing and admission made by the Representatives, contraventions of the provisions of Regulations 4(a), 18(c)(iii), 13(7), 15(3), 7(1)(b), 6(3)(a), 6(3)(c), 13(1), 9(4)(b), 6(4) and II (2) of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs.400,000/- (Rupees Four Hundred Thousand Only) is hereby imposed on the Respondent. However, in reference to Regulation 18 (c) (iii) Compliance Officer of Respondent 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>3. The Respondent is directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited within 30 days of the date of this Order and furnish Original Deposit Challan to this office.</p> <p>4. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.</p> <p>Penalty order dated January 18, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs.400,000/- (Rupees Four Hundred Thousand Only) was imposed on the respondent.
7. Current Status of Order	No Appeal has been filed by the respondent.