



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 Brains Securities Pvt. Limited

Dates of Hearing

January 28, 2021

Order-Redacted Version

Order dated February 19, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Brains Securities Pvt. Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated January 01, 2021
2. Name of Company	Brains Securities Pvt. Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Brains Securities Pvt. Limited
4. Nature of Offence	In view of alleged violations of 14(5), (6), 63(a), 9(4)(b), 9(1), 4(a), 4(c), 18 (c)(ii) and 6(4) 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. The contention of Respondent that the client provided cash of Rs. 2.6 million to Respondent against his cheque No. 82752083 to settle his debt obligation of Rs. 3.37 million; The said cheque was bounced by the Bank on August 27, 2020. During the hearing, it was admitted that Muhammad Yasin, Compliance Officer of Respondent deposited the said cash in the bank. It was submitted that Respondent considered that receipt of cash. as an exceptional circumstance and same was therefore reported to PSX under its Regulation 4.16 of PSX Rulebook. Respondent further contended that it</p>



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filed CTR on December 07, 2020 only in order to satisfy queries and concerns from Broker Compliance Department of the Commission communicated vide its letters dated November 12, 2020 and November 24, 2020 as *it did not find any suspicious in said cash transaction.*

Respondent contentions were not tenable and it has failed to present a cogent reasons of non-filing of :

- a. STR in respect of cash transaction conducted on after the receipt of CDC letter dated October 01, 2019 which was quite alarming and was enough to trigger suspicion that deposited funds could be proceeds of some criminal offence.
- b. CTR in a timely manner.

CDC in its letter dated October 01, 2019 informed Respondent that account of client has been blocked pursuant to instructions of Anti-narcotics Force (ANF). ANF is a law enforcement agency tasked with combating the narcotics smuggling and use within. The information provided by CDC should have caused Respondent a feeling of apprehension or mistrust about the transaction conducted by the client just a few days earlier to that letter and Respondent should have taken prompt action as envisaged in the law. Subsequent to the Review, the Respondent only filed CTR. Therefore, the default of Regulation 14 of the AML Regulations at the end of Respondent cannot be denied.

ii. With regard to violation of Regulations 6(3)(a) and 9(4)(b) of AML Regulations, the Respondent did not furnish pre-review evidence to substantiate source of income/proof of business of the highlighted instance. Respondent obtained the requisite documents subsequent to the Review, which depicts that it was in contravention or Regulations 6(3)(a) and 9(4)(b) of AML Regulations.

iii. At the time of Review the Respondent failed to provide any appropriate evidence to justify that



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Respondent is complainant with the requirements of the Regulation 9(1) of the AML Regulations.

iv. With regard to violation of Regulations 4(a) & (c) of the AML Regulations in the identified instance, the absence of documentation at the time of Review, relating to internal findings, source of funds/proof of income and failure to file CTR and STR on timely basis, implies deficiencies in AML/CFT policy, procedures of the Respondent and implementation of the same, therefore, the Respondent cannot deny from the violation of the said Regulations of the AML Regulations.

v. The defaults of Regulation 18(c)(ii) were consequential to the default of above para (iv) of the AML Regulations. Therefore, Respondent and its Compliance Officer has contravened Regulation 18 ©(ii) of the AML Regulations.

vi. It was admitted that NADRA Verisys was not available with the Respondent at the time of Review. Therefore, the Respondent was in contravention of Regulation 6(4) of the AML Regulations.

In view of the foregoing and admission made by the Representatives, contraventions of the provisions of Regulations 14(5), (6), 63(a), 9(4)(b), 9(1), 4(a), 4(c), 18(c)(ii) and 6(4) of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 875,000/- (Rupees eight hundred seventy five thousand) is hereby imposed on the Respondent. However, in reference to Regulation 18 (c) (ii) Compliance Officer of Respondent is warned to be careful in future. The Respondent is advised to examine its AML/CFT policy & procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.



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	Penalty order dated February 19, 2021 was passed by Executive Director (Adjudication-I).
6. Penalty Imposed	A Penalty of Rs. 875,000/- ((Rupees Eight 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 on website of the Commission.