



# 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 Zafar Securities (Pvt.) Limited

Dates of Hearing

January 15, 2021

## Order-Redacted Version

Order dated January 20, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Zafar Securities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated December 21, 2020
2. Name of Company	Zafar Securities (Pvt.) Limited
3. Name of Individual*	The proceedings were initiated against the company i.e. Zafar Securities (Pvt.) Limited
4. Nature of Offence	In view of alleged violation of AML Regulations, 2018 under Section 40A of the Securities and Exchange Commission of Pakistan Act 1997 through SCN dated December 21, 2020 and order dated January 20, 2021 was passed.
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. The Respondent could not provide pre-Inspection's evidence, to exhibits that the requirements of Regulation 4(a), 13(3), 13(7) and 15(3) of the AML Regulations were being met at the time of Inspection. Further, in response to SCN and during the hearing, it was submitted that the identified defaults were rectified subsequent to the Inspection and in this regard Authorized Representatives furnished screen shots dated June 10, 2020 as evidence in two identified instances.  ii. Respondent updated its AML policy on October 15, 2020 subsequent to Inspection therefore its policy was deficient prior to



# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

	<p>that policy updation which constitutes violation or Regulation 4(a) of AML.</p> <p>iii. The defaults of AML Regulation 18(c)(iii) were consequential to the default of Regulation 4(a) of the AML Regulations.</p> <p>iv. Violation of AML Regulation 18(c)(ii) has been admitted by the Respondent with the claim that default was subsequently rectified.</p> <p>v. With regard to the violation of Regulation 6(4) &amp; 7(1)(b) of the AML Regulations, in context of identified instances, it was admitted that NADRA Verisys was not available with the Respondent at the time of inspection. During the hearing, the Authorized Representatives informed that subsequent to the Inspection, Respondent has applied to NADRA for provision of requisite system. It reflects that timely efforts were not made by the Respondent for provision of NADRA Verisys. Hence, Respondent remained in contravention of Regulation 6(4) 7(1)(b) of the AML Regulations.</p> <p>vi. The Respondent in their verbal as well as written arguments admitted non-compliance of AML Regulations 3(1)(b)(c) &amp; 3(2). It was claimed during the hearing that subsequent to identification of deficiencies in the Inspection, rectification measures has been made by the Respondent to comply the regulatory framework</p> <p>vii. The Respondent did not provide pre-Inspection's evidence to substantiate the compliance of Regulation 6(8) of the AML Regulations. The Respondent contended that in the identified instances, it had assigned a rating based on their profile only in its back-office software and not on Account Opening Form as rating is a dynamic process and can change from time to time. The said argument is not tenable. Moreover at the time of Inspection, Respondent had not exhibit the risk categorization of identified customer in any manner.</p> <p>viii. The Respondent could not provide exhibit through an evidence that it was complying with the requirements of Regulation 11 (2) of the AML Regulations in respect six identified customers. During the hearing, Authorized Representatives informed that subsequent to the identification of default, rectifications were made by the Respondent to comply the requirements of AML Regulations.</p>
--	---



# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

	<p>ix. The Respondent failed to furnish any appropriate pre-Inspection evidence to substantiate the compliance of Regulations 6(3)(a), 6(5), 6(3)(c), 13(1), 13(3), 14(4) &amp; 14(6) of the AML Regulations in respect six identified instances.</p> <p>2. In view of the foregoing and admission made by the Representatives, contraventions of the provisions of Regulations 4(a), 13(3), 13(7), 15(3), 18(c)(iii), 18(c) (ii), 6(4), 7(1)(b), 3(1)(b)(c), 3(2), 6(8), 11(2), 6(3)(a), 6(5), 6(3)(c), 13(1), 13(3), 14(4) &amp; 14(6) of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 450,000/- (Rupees Four Hundred Fifty Thousand) 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. 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>Penalty order dated January 20, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 450,000/- (Rupees Four Hundred Fifty Thousand) was imposed on the respondent.
7. Current Status of Order	Appeal. No. 59/2021 has been filed by the respondent.