



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 Sakarwala Capital Securities (Pvt.) Limited

Dates of Hearing

March 18, 2021

Order-Redacted Version

Order dated March 22, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Sakarwala Capital Securities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated January 29, 2021
2. Name of Company	Sakarwala Capital Securities (Pvt.) Limited
3. Name of Individual*	The proceedings were initiated against the company i.e. Sakarwala Capital 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 and oral submissions of the Respondent. In this regard, I observe that: i. With regard to the screening of beneficial owners of corporate clients with respect to proscribed persons/ entities against UNSC and NACTA lists, the Respondent during the hearing contended that it was done on regular basis however, due to reporting discrepancies, the same was not reflected in the summary report. The Respondent during the hearing also provided that the matter is being taken up with the vendor to provide appropriate screening reports. The contention of the Respondent in this regard is not tenable. The Respondent did not provide evidence of list containing name(s) of ultimate beneficial owners of corporate clients and subsequent procedures performed to identify such beneficial owners during the inspection. Further,



Securities and Exchange Commission of Pakistan

Adjudication Division Adjudication Department-I

subsequent to the findings of the inspection, the Respondent provided monthly periodic screening of customers/ nominees/ joint account and authorized persons. However, the same was not provided for BoDs/ Trustees and Office bearers. Therefore, the observation remained unsolved during the inspection and the Respondent was found in contravention of Regulation 13(7) of the AML Regulations and

ii. With regard to the deficiencies in its AML/CFT Policy, the Respondent provided that its policy has been amended in December, 2020 i.e. subsequent to the inspection period. The Respondent's policy was found to be deficient with respect to the clauses provided in the SCN. The AML Regulations were promulgated in June, 2018 however, the Respondent has shown significant delay in incorporating the requirements of AML Regulations in its AML/CFT Policy. therefore, the Respondent was found in contravention of Regulation 4(a) of the AML Regulations. Further, the Compliance officer has also failed to monitor, review and update its AML/CFT Policy in line with the requirements of the AML Regulations and was found in contravention of Regulation 18(c) of the AML Regulations.

iii. With regard to the deficiencies in on-going monitoring and EDD of its one high risk client, the Respondent provided evidence of KYC/CDD, bank statements, tax returns and business letterhead. It was noted that the tax documents provided by the Respondent as evidence of CDD has print date of August 10, 2020 which reveals that EDD of the customer was performed after commencement of inspection, whereas the account of the customer was opened on January 21, 2016 and the KYC/CDD/EDD related requirements were promulgated through AML Regulations, in June, 2018. Therefore, the Respondent has shown lack of effort to comply with the requirements of AML Regulations in letter and spirit and failed to collect evidence of EDD in time. The Respondent was therefore, found non-compliant with requirements of Regulation 9(4)(c) and Regulation 13(1) of the AML Regulations.

2. In view of the foregoing and admission made by the Representatives, contraventions of the provisions of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 260 000/- (Rupees Two Hundred and Sixty Thousand Only) is hereby imposed on the Respondent. 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



Securities and Exchange Commission of Pakistan

Adjudication Division Adjudication Department-I

	<p>within days of date this Order and furnish the original deposit challan to this Office. Further, the compliance officer of the Respondent is strictly advised to ensure that its AML/CFT policy is being updated in a timely manner as per the requirements of the AML Regulations.</p> <p>3. 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 March 22, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 260,000/- (Rupees Two Hundred and Sixty Thousand Only) was imposed on the respondent.
7. Current Status of Order	Appeal has been filed by the respondent.