

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

In the matter of Show Cause Notice issued to M.M. Securities Pvt. Limited

Date of Hearing	December 08, 2020
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Order-Redacted Version

Order dated December 22, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of M.M. Securities Pvt. Limited. Relevant details are given as hereunder:

Nature	Details
• Date of Action	Show Cause notice dated November 05, 2020.
• Name of Company	M.M. Securities Pvt. Limited.
• Name of Individual	The proceedings were initiated against the Company i.e. M.M. Securities Pvt. Limited and its Compliance Officer.
• Nature of Offence	Proceedings under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997.
• 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 in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondents. I am of the considered view that the Respondents did not ensure their compliance with the mandatory provisions of the Regulations in the following instances:</p> <ol style="list-style-type: none">i. Contraventions of Regulation 4(a), Regulation 13(7) and Regulation 15(3) of the AML Regulations were evident from the Respondent's response to letter of findings (LOF), wherein, it was admitted that Respondent is in the process of screening the client's beneficial owners. Respondent further submitted in response to LOF, now it has started to maintain the records of (i) screening from UN/NACTA/SRO's in their back-office system/email/files; and (ii) beneficial owners in its database and it is contacting its client(s) to get the necessary information. In addition to above, the Respondent also admitted that it is in the process to make and revise the policy as per observations of Inspection team. During the hearing, authorized Representative informed that subsequent to the Inspection, the Respondent has rectified the above referred defaults of the AML Regulations.ii. The defaults of Regulation 18(c)(iii) were consequential to the default of Regulation 4(a) of the AML Regulations. Therefore, contravention of Regulation 18 (c) (iii) of the AML Regulations by Respondent and its Compliance Officer cannot be denied.iii. In context of the alleged violations of Regulations 6(4) & 7(1)(b), the Respondent in response to Letter of Findings informed the

	<p>Inspection team that the Respondent had approached NADRA for provision of NADRA Verisys facility but got no response from NADRA. The Authorized Representative reiterated the same during the hearing and thereafter submitted its emails/letter to NADRA dated 09/06/2020, 07/07/2020 and 16/11/2020. It is evident from the submitted copies of aforesaid emails/letter (after the date of inspection order) that timely efforts were not made by the Respondent to get the requisite Verisys system. It clearly depicts that at the time of Inspection and at prior period, Respondent remained non-compliant with the requirements of the aforementioned Regulations of the AML Regulations.</p> <p>iv. Respondent did not contend and deny alleged violation of Regulation 11(2) of the AML Regulations, which reflects contravention of Regulation 11(2) of AML Regulations on part of Respondent.</p> <p>v. With regard to the violations of Regulations 6(3)(a), 6(5), 6(3)(c), 9(4)(a), 13(1) and 13(3) of the AML Regulations, in six identified instances, the Authorized Representative during the hearing admitted the defaults. The authorized representative claimed that subsequent to the Inspection, Respondent has rectified identified default as per the requirements of the regulatory framework.</p> <p>In view of the foregoing and admission made by the Representative, contraventions of the provisions of Regulations 4(a), 13(7), 15(3), 18(c)(iii), 6(4), 7(1)(b), 11(2), 6(3)(a), 6(5), 6(3)(e), 9(4)(a), 13(1) and 13(3) 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 Sixty Thousand only) is hereby imposed on the Respondent Company. However, in reference to Regulation 18 (c) (iii) Compliance office is warned to be careful in future. M.M. Securities (Pvt.) Limited 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.</p> <p>Penalty Order dated December 22, 2020 was passed by Executive Director (Adjudication-I).</p>
<ul style="list-style-type: none"> Penalty Imposed 	Penalty of 260,000/- (Rupees Two Hundred Sixty Thousand only) was imposed.
<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.