

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

In the matter of Show Cause Notice issued to Salman Majeed Securities Private Limited

| | |
|-----------------|-------------------|
| Date of Hearing | December 17, 2020 |
|-----------------|-------------------|

Order-Redacted Version

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

| Nature | Details |
|----------------------|--|
| • Date of Action | Show Cause notice dated September 28, 2020. |
| • Name of Company | Salman Majeed Securities Private Limited. |
| • Name of Individual | The proceedings were initiated against the Company i.e. Salman Majeed Securities Private 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. In context of violation of Regulation 4(a) of the AML Regulations, the Respondent in response to Letter of Findings (LOF) submitted that Respondent revised its policy after NRA 2019 on dated December 23, 2019, but in an inadvertent mistake its Compliance Officer forwarded the old policy to inspection team. However, during the hearing, the Respondent could not provide evidence of existence of such revised policy. Further, in the absence of any such policy, reference of page numbers, made by the Respondent in its reply to SCN cannot be relied upon.ii. The defaults of Regulation 18(c) (iii) were consequential to the default of Regulation 4(a) of the AML Regulations. Therefore, Respondent and its Compliance Officer has contravened Regulation 18 (c) (iii) of the AML Regulation.iii. The violation of Regulation 6(4) of the AML Regulations and note (iv) to Annexure-1, cannot be denied as Respondent updated the CNIC copies in most of the highlighted instances, only after pointing out of the said default by inspection team. This clearly depicts that the Respondent had no system in place for generating alerts about the expiry of CNICs at least one month before actual date of expiry. Further, unusual numbers of post-expiry days reflecting in "Clients CNIC Expiry Report" dated October 6, 2020, indicates that the Respondent was not periodically reviewing |

the adequacy of customer information.

- iv. Respondent could not furnish evidences to inspection team in respect of performance of EDD including requisite approval from senior management. Therefore, EDD forms, now submitted in response to SCN, to substantiate the claim of performance of EDD, cannot be relied upon as their post-facto creation cannot be ruled out. Hence, Respondent has contravened Regulation 9(3) and 9(4) (a) of the AML Regulations.
- v. During the hearing, it was submitted that they have practice to perform screening of its clients at the time of account opening only. Further, at the time of inspection. Compliance Officer of the Respondent informed inspection team that periodic screening of customer/ nominee/joint account holder / authorized person/ BOD/ Trustees/ Office bearers is not carried out by the Respondent; Inspection team made that statement of Compliance Officer as part of their observation in its LOF. However, the Respondent did not provide their comment in respect of said observation of the inspection team. In view of aforesaid, default Regulations 13(1) and 13(7) of the AML Regulations is obvious and undeniable.
- vi. With regard to the violation of Regulation 6(3)(c), Regulation 13(1) and Regulation 13(3) of the AML Regulations in two identified instances:
 - a. The Respondent submitted copy of salary slip of one of the highlighted customer, which is a tenable evidence of source of income in that case.
 - b. In another instance, bank statement of customer was wrongly treated as a source of income. Respondent arranged copy of income statement of that customer only subsequent to the Inspection which is evident from the printing date of document (i.e. April 16,2020)
 - c. Hence, the Respondent has violated the aforesaid Regulations of the AML Regulations.
- vii. All the verifications/validation furnished to substantiate compliance of Regulation 6(4) of the AML, were performed subsequent to inspection date. Thus the Respondent was in contravention of Regulation 6(4) at the time of the Inspection.

In view of the foregoing facts, I am of the considered view that flagrant and multiple violations of the provisions of the 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 only)** is hereby imposed on the Respondent Company. 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. However, in reference to Regulation 18 (c) (iii) Compliance office is warned to be careful in future.

| | |
|---------------------------|--|
| | Penalty Order dated December 22, 2020 was passed by Executive Director (Adjudication-I). |
| • Penalty Imposed | Penalty of 450,000/- (<u>Rupees Four Hundred Fifty Thousand only</u>) was imposed. |
| • Current Status of Order | Appeal has been filed against the Order. |

Redacted version issued for placement on the website of the Commission.