

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

**In the matter of Show Cause Notice issued to Millennium Brokerage Private Limited**

Date of Hearing	December 23, 2020
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**Order-Redacted Version**

Order dated December 28, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Millennium Brokerage Private Limited. Relevant details are given as hereunder:

Nature	Details
• Date of Action	Show Cause notice dated November 05, 2020.
• Name of Company	Millennium Brokerage Private Limited.
• Name of Individual	The proceedings were initiated against the Company i.e. Millennium Brokerage 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> <p>i. With regard to the observation regarding deficiencies in its policies and procedures, the Respondent during the hearing provided that its policy has been updated and the missing elements have been incorporated subsequent to the observation highlighted by the inspection team. The policy has been updated in October, 2020 after the review. The Respondent's policy was found deficient during the inspection and was found noncompliant with Regulation 4(a) of the AML Regulations. Further, the compliance officer of the Respondent had also failed to fulfil his obligations to monitor, review and update its policy and procedures in line with the requirements of the AML Regulations and found non-compliant with Regulation 18(c) (iii) of the AML Regulations.</p> <p>ii. With regard to the observation regarding database of beneficial owners and screening of new and existing customers including its nominees, joint accounts, authorized persons, Board of Directors, trustees, and office bearers against the list of proscribed persons, the Respondent admitted the deficiencies in its database and provided that its system has now been updated to incorporate the missing</p>

information. Further, compliance officer of the Respondent, during the inspection, also informed that they do not have mechanism for screening of new and existing customers including its nominees, joint accounts, authorized persons, Board of Directors, trustees, and officer bearers against the list of proscribed persons. Further, the compliance officer of the Respondent also informed that a list of relevant SROs /notifications/ Emails etc., regarding addition/ deletion of names on UNSC/ NACTA has not been maintained. The non-compliances were admitted during the inspection and the Respondent during the hearing assured that they have now updated their database and maintaining evidence of screening of clients and their associated individuals/ entities. However, due to the deficiencies in procedures of the Respondent during the course of inspection, non-compliances of Regulation 4(a), 13(7) and 15(3) of the AML Regulations have been established.

iii. With regard to the observation regarding the missing evidence of income of 3 highlighted clients, the Respondent in its reply provided source of income of 2 highlighted accounts. Details of particular instances are provided below:

- With regard to the first instance, the Respondent during the inspection provided KYC form as per which the client is a salaried individual in Abu Dhabi. The client's risk category was changed to High Risk however, no supporting evidence with respect to source of income was provided during the inspection.
- In the second instance, a housewife, the Respondent had provided a copy of gift deed between the client and her father wherein shares were transferred to the client. However, the schedule of shares portion of the gift deed was left empty to identify the shares transferred to the client. The Respondent has failed to identify the source of income/ funds of the client.
- In the third instance, the client was identified as a proprietor of a real estate company however, no supporting evidence with respect to the evidence of income such as tax return or bank statement was provided.

In view of the aforesaid arguments, the Respondent was found to be non-compliant with Regulation 6(3) (c), 6(10) and 9(4) (b) of the AML Regulations.

iv. With regard to observation regarding the PEP, the Respondent had admitted to its failure to categorize its client as PEP and therefore, no EDD measures were taken against the high-risk individuals. Further, no

	<p>senior management approval was obtained with regard to this high-risk client. The Respondent was therefore found non-compliant with Regulation of the AML Regulations. The Respondent had reportedly rectified the said observation subsequent to review.</p> <p>v. With regard to its low risk client, the Respondent had not documented the reasons for classifying such clients as low risks. The Respondent has rectified the same observation and reportedly also updated the risk category of its clients. However, the Respondent was found non-compliant with Regulation 11(2) of the AML Regulation.</p> <p>vi. With regard to the expired CNICs of its client and joint account holder, the Respondent has reportedly rectified the default subsequent to the inspection. However, during the course of Inspection the Respondent was found non-compliant with Regulation 13(3) of the AML Regulation.</p> <p>vii. With regard to NADRA Verisys of its clients, the Respondent during the hearing admitted that the Verisys system was not installed during the time of inspection. The Respondent had applied to NADRA for Verisys system in April, 2020 subsequent to the inspection period. The Respondent had demonstrated no efforts on its part to obtain Verisys of its clients CNIC until the inspection period and was found non-compliant with Regulation 6(4) read with Annexure I (note i) of the AML Regulations.</p> <p>viii. With regard to its high-risk client, the Respondent had failed to produce senior management approval to establish or continue business relationship with such client. The default was rectified subsequent to the inspection. However, the Respondent was found non-compliant with Regulation 9(4) (a) of the AML Regulations during the review.</p> <p>ix. With regard to deficiencies in its compliance function, it was noted that the compliance officer has failed to identify non-compliances of AML Regulations as highlighted by the inspection team. Further, the job description of the compliance officer was also not updated as per the requirements of AML Regulations. In view of the said, the Respondent was found non-compliant with Regulation 18(c) of the AML Regulations.</p> <p>x. 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 <b>Rs. 260,000/- (Rupees Two Hundred Sixty Thousand only)</b> is hereby imposed on the Respondent.</p>
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	Penalty Order dated December 28, 2020 was passed by Executive Director (Adjudication-I).
• Penalty Imposed	Penalty of 260,000/- ( <u>Rupees Two Hundred Sixty Thousand only</u> ) was imposed.
• Current Status of Order	No appeal was filed against the Order.

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