

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

In the matter of Show Cause Notice issued to Galaxy Capital Securities Private Limited

Date of Hearing	December 31, 2020
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Order-Redacted Version

Order dated December 31, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Galaxy Capital Securities Private Limited. Relevant details are given as hereunder:

Nature	Details
• Date of Action	Show Cause notice dated July 09, 2020.
• Name of Company	Galaxy Capital Securities Private Limited.
• Name of Individual	The proceedings were initiated against the Company i.e. Galaxy Capital Securities Private Limited.
• 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. With regard to validated of CNIC from NADRA Verisys in respect of 6 specified instances of main account holders, joint account holders and nominees the non-compliance has been admitted and subsequent rectification has been reported.ii. As regards documentation of justification for 'low risk' classification, it was submitted that all its clients either the directors or their relative and close associates, the risk rating remains low, however, the same was justified in writing subsequent to the inspection and made part of the record.iii. As regards the documentary evidence of source of income/ funds in respect of 4 clients the deficiency in record was admitted. Although, it was emphasized that that all its clients were either the directors or their relative and close associates. The Respondent has removed deficiency by subsequently acquiring sources of income.iv. As Regards evidence of screening of customers and their associates on periodic basis and on the basis of SROs received from time to time. The Respondent has informed that it has only 10 clients' accounts in their

	<p>brokerage house and out of these, 4 accounts are Directors' accounts and one account belongs to an employee, while remaining 4 accounts belong to the people who are very well known by directors. The Directors are well aware of their families, business and other matter. It properly checked the names in SROs that are issued by SECP from time to time to further ensure that no one from their account-holders is listed in the name of NACTA List.</p> <p>v. As regards deficiency in policy the Company has provided copy of approval of its policy dated January 15, 2020 wherein the short comings in the policy have been observed. However, no revised or updated policy could be provided to the inspection team. The Respondent has reportedly revised and updated its policy subsequent to the inspection and was therefore, found non-compliant.</p> <p>vi. As regards delay in submission of compliance report, on statutory regulatory orders issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions and intimation from National Counter Terrorism Authority/ Ministry of Interior regarding updates in list of proscribed persons under the Anti-Terrorism Act, 1997, within three days of receiving the same, the Respondent acknowledged that initially delay was observed due to new compliance requirements. It was further stated that currently the Commission can confirm that its response is well within time, and the Company has assured that there has been no delay subsequently to comply with the requirements of the AML Regulations.</p> <p>In view of the foregoing facts, I am of the considered view that multiple violations 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. 100,000/- (Rupees One Hundred Thousand only) is hereby imposed on the Respondent Company.</p> <p>Penalty Order dated December 31, 2020 was passed by Executive Director (Adjudication-I).</p>
<ul style="list-style-type: none"> Penalty Imposed 	Penalty of 100,000/- (Rupees One Hundred Thousand only) was imposed.
<ul style="list-style-type: none"> Current Status of Order 	No appeal was filed against the Order.

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