

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

In the matter of Show Cause Notice issued to We Financial Services Limited

Date of Hearing	February 13, 2020 and October 28, 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 We financial Services Limited. Relevant details are given as hereunder:

Nature	Details
• Date of Action	Show Cause notice dated January 31, 2020.
• Name of Company	We Financial Services Limited.
• Name of Individual	The proceedings were initiated against the Company i.e. We Financial Services Limited through its Chief Executive 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. As regards to Respondent's deficiency for (i) not having database of beneficial owners of clients (ii) not having screening mechanism for authorize persons, board of directors, trustees and office bearers in relation to its clients; the Respondent duly informed that weaknesses in back office system were being updated by software vendor in line with the AML Regulations. The Respondent could not provide evidence substantiating existence of such data base at the time of inspection. In the absence of any evidence, contention of Respondent that identification of beneficial owners were derived from logical risk based approach and that periodic screening was manually done, is not tenable. Hence, I, am of the view that at the relevant time of inspection for the given review period, the Respondent has violated the requirements of Regulation 4(a) and Regulation 13(7) of the AML Regulations.</p> <p>ii. As regard to observation for not retaining records of screening performed of its clients and failure to provide any documentary evidence and client's ledgers to the inspection team, the aforesaid reply made by the Respondent vide dated February 10, 2020 did not contest the cited observation. Hence, I, am of the view that the Respondent has violated the requirements of Regulation 15(3) of the AML regulations.</p>

	<p>iii. Respondent did not contend the observation that the Respondent did not maintain record of business, profession, occupation and source of income of the beneficial owner in 4 instances highlighted by the inspection team. Further, no documentary evidence was produced in the hearing to substantiate compliance of Regulation 6(3) (a) of the AML Regulations. The views of Respondent that clients were inactive, or activity was nominal in the account are not cogent for not maintaining relevant record. Hence, I, am of the view that the Respondent has violated the requirements of Regulation 6(3) (a) of the AML Regulations.</p> <p>iv. With regard to violation of note (i) to Annexure-I of Regulation 6(4) of the AML Regulations, Respondent contented that accounts were opened only after approval of NCCPL and the NADRA refused to provide Verisys to Respondent. In this regard, it is to be noted that statutory requirements of validation of identification documents through the prescribed mode of Verisys, cannot be disregarded. Furthermore, Respondent failed to exhibit any evidence that fair effort was made at its end to obtain Verisys from NADRA. Thus, I, am of the view that Respondent was non-compliant with the said regulatory requirement.</p> <p>v. In context of four identities of high risk categorized customers, where source of fund had been marked as high risk owing to permanent addresses belonging to porous regions, however due to unavailability of compliance officer, EDD was delayed. I, am of the view that in absence of any supporting evidences of EDD, and the given admission of the Respondent, violation of Regulation 9(4) of the AML Regulations is attracted.</p> <p>vi. With regard to non-compliance of Regulation 6(11) of the AML Regulation, merely existence of asset custody in an inactive account does not require filing of STR.</p> <p>In view of the foregoing facts, I am of the considered view that flagrant and multiple violations AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 600,000/- (Rupees Six Hundred 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.</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 600,000/- (Rupees Six Hundred Thousand only) was imposed.
<ul style="list-style-type: none"> Current Status of Order 	Appeal has been filed against the Order.

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