

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

In the matter of Show Cause Notice issued to M/s. DJM Securities (Pvt) Limited

Date of Hearing

July 22, 2020

Order-Redacted Version

Order dated August 26, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of DJM Securities (Pvt) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated June 02, 2020
2. Name of Company	DJM Securities (Pvt) Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. DJM Securities (Pvt) Limited and its Compliance Officer.
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for the violations of Regulation 4(a), 13(7), 6(3)(a), 6(5)(a), 6(3)(c), 13(1), 15(3), 18(c)(iii) and regulation 6(4) read with Annexure I(i) of the AML and CFT Regulations, 2018.
5. Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have examined the written and oral submissions of the Respondent and its Representative. In this regard, I observe that:</p> <ul style="list-style-type: none">i. With regard to the first observation, the Respondent was inquired regarding the completion of such database of beneficial owners of its clients for screening against proscribed individuals. The Respondent during the hearing provided that their database has been updated and such information regarding beneficial ownership has been incorporate into their automated system which is operational since February, 2020. However, during the review, such information was not readily available for screening against proscribed individuals and it has been observed that the rectification was made subsequent to the observation highlighted during the review. The Respondent was therefore, found non-compliant with Regulation 4(a) & 13(7) of the AML Regulations.



Securities and Exchange Commission of Pakistan
Adjudication Division
Adjudication Department-I

	<p>ii. With regard to the documentary evidence regarding the screening process, the Respondent provided that they have updated their systems to perform automatic screening of all its clients and associated individuals which is operations since February, 2020. Further, the reporting structure has been redefined and the senior management now receive the reporting of screening which is also presented to the Board of Directors. However, such rectification has been made subsequent to the promulgation of AML Regulations in June, 2018 which indicates significant delay on part of the Respondent to comply with the requirements of record keeping prescribed in AML Regulations. The Respondent was therefore, found non-compliant with Regulation 15(3) of the AML Regulations.</p> <p>iii. With regard to the observation regarding the NADRA Verisys of its clients, the Respondent submitted that they are using bio metric verification for its clients and also verify the identity documents from notary republic with attestation to fulfil requirements for client's authentication. Further, the Respondent submitted that it has a small-scale business and is not feasible to conduct Verisys for all its clients. Here it is pertinent to mention that AML Regulations clearly required the regulated person to conduct Verisys of all its clients and associated persons identity documents from NADRA. Therefore, biometric verification may not absolve the responsibility of the Respondent to comply with requirements of the AML Regulations. Further, lack of resources and the requirements of the Regulations. Therefore, the Respondent is found to be non-compliant with Regulation 6(4) read with Annexure I(i) of the AML Regulations. Further, in light of the AML Regulations, the Respondent is advised to complete Verisys of all legacy accounts and new accounts of its clients and associated individuals at the earliest in compliance with the AML Regulations. Further, any concerns regarding the access to NADRA Verisys system may be taken up with the AML Department of the Commission for clarity in the matter.</p> <p>iv. With regard to the observation regarding the deficient source of income/ beneficial ownership of its clients, the Respondent submitted that the documents were already available with it however, they were mistakenly submitted at a later date. The inspection team had observed that the Respondent had provided tax return for one of the five clients. However, source of income/ beneficial ownership for other clients were arranged subsequent to the observation highlighted during the review. The Respondent was therefore, found in contravention of Regulation 6(3)(a), 6(5)(a), 6(3)(c) & 13(1) of the AML Regulations.</p> <p>v. With regard to the observation regarding update in its AML/CFT Policies, the Respondent during the hearing provided that the updated</p>
--	--



Securities and Exchange Commission of Pakistan
Adjudication Division
Adjudication Department-I

	<p>policy was approved in March, 2020 subsequent to the observation highlighted during the review. The Respondent's policy was therefore, found deficient with respect to several aspects of AML Regulations during the review. Further, the Compliance Officer of the Respondent had also failed to review its policy/ procedures in line with the requirements of the AML Regulations and to keep it up to date. Therefore, the Respondent was found to be non-compliant with Regulation 4(a) & 18(c)(iii) of the AML Regulations.</p> <p>In view of the foregoing and admission made by the Representatives, contraventions 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. 400 000/- (Rupees Four Hundred Thousand Only) is hereby imposed on the Respondent.</p> <p>Penalty Order dated August 26, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 400,000/- (Rupees four hundred thousand only) was imposed on the Company.
7. Current Status of Order	An appeal has been filed against the Order.

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