

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

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

Date of Hearing

August 13, 2020

Order-Redacted Version

Order dated September 11, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Dr. Arslan Razaque Securities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 28, 2020
2. Name of Company	Dr. Arslan Razaque Securities (Pvt.) Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Dr. Arslan Razaque Securities (Pvt.) Limited.
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for the violations of Regulation 4(d), 6(3)(c), 6(3)(a), 13(1), 13(3), 13(4), 4(a) and 13(7) 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. The Respondent could not furnish an appropriate evidence of existence of independent audit function in support of its claim of post-inspection establishment of such function. However, the profile of their designated Internal Auditor was furnished by Respondent. The default of Regulations 4(d) of the AML Regulations cannot be denied.ii. In context of ten identified instances of violations of Regulation 6(3)(c), Authorized Representatives of the Respondent during the hearing, admitted that Respondent had not obtained the requisite information i.e. source of income of the clients before and during the course of establishing a business relation with the identified clients. Furthermore, the three instances quoted by the Respondent in its reply



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	<p>of SCN were not relevant to the highlighted instances. The Respondent has therefore violated the Regulation 6(3)(c) of the AML Regulations in relation to identified instances.</p> <p>iii. In respect of alleged violation of Regulation 6(3)(a) in two instances, the Respondent quoted unrelated clients in its reply of SCN. However, subsequent of the hearing, the Respondent vide its letter dated August 18, 2020 submitted particulars of relevant identified clients but Respondent could not exhibit an evidence substantiating that the requisite information/details were obtained as per its obligation under Regulation 6(3)(a) of the AML Regulations.</p> <p>iv. With regard to violation of sub-Regulations (1), (3) and (4) of the Regulation 13, subsequent to the hearing, the Respondent vide its letter dated August 18, 2020 submitted its AML policy, procedures and controls approved by the Board of Directors on February 20, 2020. Hence Respondent has rectified the said default subsequent to the Inspection. Therefore, violations of sub-Regulations (1), (3) and (4) of the Regulation 13 cannot be denied.</p> <p>v. With respect to the violation of Regulations 4(a) and 13(7), the Authorized Representatives could not substantiate with evidence(s) that at the time of Inspection, Respondent was maintaining centralized database of customers nominees, joint accountholders, BOD/Trustees/Office bearers/beneficial owners, enabling it to perform screening of account holders/nominees/authorized persons from the list or proscribed persons/designated individuals. Subsequent to the hearing, the Respondent vide its letter dated August 18, 2020 submitted that snapshot of database screen provided by LSEFSL.</p> <p>In view of the foregoing and admission made by the Representatives, contraventions of the provisions of Regulations 4(d), 6(3)(c), 6(3)(a), 13(1), 13(3), 13(4), 4(a) and 13(7) of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 200,000/- (Rupees two hundred thousand) is hereby imposed on the Respondent. 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 September 11, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 200,000/- (Rupees two hundred thousand only) was imposed on the Company.



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7. Current Order	Status of	An appeal has been filed against this Order.
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Redacted version issued for placement on the website of the Commission.