



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)
Adjudication Department

Through Courier

File No. 1(120) SMD/ADJ/KHI/2018

October 29, 2018

EFG Hermes Pakistan Limited,
Through its Chief Executive officer,
Office No.904, 9th Floor, Emerald Plaza,
Plot No.G-19, Block-5, Clifton
Karachi

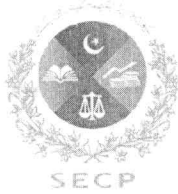
Subject: ORDER IN RESPECT OF SHOW CAUSE NOTICE DATED SEPTEMBER 13, 2018, BEARING NO. File No. 1(120) SMD/ADJ/KHI/2018

Dear Sir,

Please find enclosed herewith a copy of order in the title matter for your record and necessary action.

Yours truly,

Kamal Ali
Additional Director



Securities and Exchange Commission of Pakistan
Securities Market Division

Before the Commissioner (SMD)

In the matter of Show Cause Notice Issued to
EFG Hermes Pakistan Limited

<i>Date of Hearing</i>	<i>October 05, 2018</i>
<i>Present at the Hearing</i>	<i>Shahid Kamal, Head of Compliance</i> <i>Hassan Mehmood, Compliance</i>
<i>Place of Hearing</i>	<i>Through Video Conference from Regional Office,</i> <i>Karachi</i>

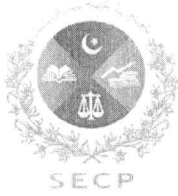
ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice (SCN) bearing No. 1(120) SMD/ADJ/KHI/2018 dated September 13, 2018. The SCN was served on EFG Hermes Pakistan Limited (“**Respondent**”) by the Securities and Exchange Commission of Pakistan (“**Commission**”) under section 150 of the Securities Act, 2015 (“**Securities Act**”). The Respondent is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange Limited (“**PSX**”) and licensed as a securities broker with the Commission under the Securities Act and the Securities Brokers (Licensing and Operations) Regulations, 2016 (“**Brokers Regulations**”).

2. Brief facts of the case leading to issuance of SCN are that the Commission vide order dated September 11, 2017, in exercise of the powers conferred under section 138 of the Securities Act, conducted inspection wherein a thematic review of compliance status of regulatory requirements relating to Anti Money Laundering (“**AML**”), Know Your Customer (“**KYC**”) and Customer Due Diligence (“**CDD**”) was carried out of the Respondent. The inspection report dated May 03, 2018 (“**Report**”) *inter alia* revealed the following:

- (i) The KYC/CDD/AML policy of the Respondent did not cover the aspect of maintenance and reporting of Currency Transaction (CTR) which is a requirement of the KYC/CDD Guidelines of PSX read with Anti Money Laundering Act, 2010 and Anti Money Laundering Regulations, 2015.
- (ii) The Respondent had not documented investment profiling of the following customers as specified in the KYC/CDD Guidelines of PSX based on customer’s identity, nature of income, source of funding and location/domicile of customer, etc.:
 - a. Samina Sikander (client code K577) – Mentioned as housewife and source of income is not identified. As per the account opening form of Samina Sikander, the email address is shakirpadela@gmail.com of Shakir Padela who is a dealer of the Respondent. However, the authorized person to operate the account is Samina Sikander herself. Therefore, identity of client has not been ensured by the Respondent.
 - b. Shama Azam (client code L44) – Mentioned as housewife and country of stay is United States as per NICOP. However, source of income is not identified.
 - c. Adil Ahmed Baluch (client code K891) – Occupation mentioned is agriculturist. Furthermore, the said client in the months of July 2017 and August 2017 has





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crossed the trading threshold prescribed in Circular 10 of 2017 issued by the Commission.

Further, on review of client ledger of “Samina Sikander” and “Abid Ahmed Baluch” it was observed that payment had been made by the Respondent in favor of NEXT Capital Limited on behalf of the said customers in contravention of regulation 4.24 of the PSX Regulations.

- (iii) Customer risk categorization as provided by the Respondent was not as per the KYC/CDD Guidelines of PSX for the following customers who had been categorized as Low Risk. For instance, all online trading clients/non face-to-face customers, which are required to be marked as High Risk under the KYC/CDD Guidelines of PSX, were marked as Low Risk by the Respondent. This shows that proper risk assessment had not been performed by the Respondent based on customer’s identity, nature of income, source of funding and location/domicile of customer. This also indicated that Enhanced Due Diligence had not been performed by the Respondent for these customers:

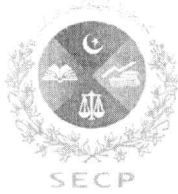
S. No	CLIENT CODE	CLIENT NAME	Type	Risk Categorization by Respondent	Risk Categorization as per PSX Guidelines
1.	L108	MAJOR MOHAMMAD KHALIL	Internet based Client	Low	High
2.	L160	MUHAMMAD RAFIQUE	Internet based Client	Low	High
3.	K822	SAFDAR MUMMUNKA	Internet based Client	Low	High
4.	K891	ADIL AHMED BALUCH	Internet based Client	Low	High
5.	T229	INSPECTEST(PVT) LIMITED EMP PROVIDENT FUND TRUST	Legal Entity	Low	High
6.	T252	LIFESTYLE GATEWAYS (PVT) LIMITED	Legal Entity	Low	High

- (iv) Lack of documentation for the following High Risk customers of the Respondent was observed at the time of account opening. As per the KYC/CDD Guidelines of PSX, trusts and institutions are required to be classified as High Risk. This indicated that Enhanced Due Diligence had not been performed by the Respondent for these customers:

Client Name	Risk Status	Remarks
Merrill Lynch International	Low	Power of Attorney or approval of authorized person not provided.
Al Shifa Trust	Low	Lack of proper documentation like financial statements, Trust deed, Power of Attorney or Approval of Authorized Person, details of board of trustees / management.
Goldman Sachs & Co.	Low	Respondent has informed that this account has been activated at the time of MSCI rebalancing in the Month of May 2017 and account opening form is requested to be signed along with other mandatory documents.

- (v) It was observed that the profile of the following customer of the Respondent did not match with her high trading volume during the month of August 2017 which indicated lack of on-going due diligence as required under the KYC/CDD Guidelines of PSX.





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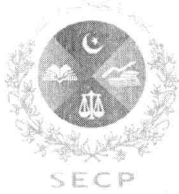
Review of the customer's ledger for the period July 1, 2017 to August 31, 2017 revealed that in the months of July 2017 and August 2017 the customer had traded above the threshold prescribed in Circular 10 of 2017 issued by the Commission and the Respondent had not worked with respect to ongoing due diligence and risk categorization etc. of the customer. It also indicated that Enhanced Due Diligence of the customer had not been performed. The Respondent had provided income/wealth tax return, however, source of income was not identified:

Client Code	Client Name	Occupation	Risk Rating by Respondent	Source of Fund as per Respondent
K577	Samina Sikander	House Wife	Low	Not provided

- (vi) The KYC/CDD Guidelines of PSX require that there has to be on-going training of brokers, their employees and agents to ensure that they understand their duties under KYC/CDD and are able to perform those duties satisfactorily. As per reply dated October 13, 2017 submitted by the Respondent, none of its employees had been provided training during the period July 1, 2016 to September 30, 2017. The Respondent had stated that its employees had attended trainings after its integration with EFG group in the month of September 2017 but no evidence of such trainings was furnished.
- (vii) As per Circular 10 of 2017 issued by the Commission, brokers are required to maintain record of customers having trading above the prescribed threshold. While reviewing the trading data provided by NCCPL for the months of July and August 2017, it was noted that the following customers of the Respondent had crossed the minimum threshold as defined under the said Circular. These customers were initially marked as Low Risk however (i) risk category was not re-considered, (ii) Enhanced Due Diligence was not performed, (iii) column of "Compliance status and action initiated" was marked as "ok", and (iv) no other action was initiated, by the Respondent. The Respondent informed that there might be some mistake in calculating such threshold due to understanding of calculation mechanism and it had been noted for future compliance:

Sr. #	UIN	Name	Profession	Category of Clients				Amount (Rs. In million)
				Initial	Revised, if any	Compliance Status	Action Initiated	
1	0067136	ADAMJEE LIFE ASSURANCE COMPANY LIMITED IMF	Insurance Company	Low Risk	-	ok	-	290.2
2	JUD-III/PF/1990-91/1598	THE AGA KHAN UNIVERSITY EMPLOYEES PROVIDENT FUND	Other	Low Risk	-	ok	-	165.2
3	42301-0874219-3	BAHAUDDIN KHAN	Service	Low Risk	-	ok	-	10.3
4	42301-1080208-5	MUZAMMIL ASLAM	Business	Low Risk	-	ok	-	20.7
5	42201-0608987-0	SAMINA SIKANDER	House Wife	Low Risk	-	ok	-	10.0
	42201-8546406-0	MEMOONA TANVEER	Business	Low Risk	-	ok	-	13.7





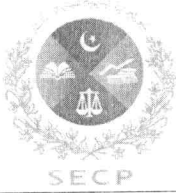
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7	37405-7915043-1	TAQI AHMAD KHAN	Service	Low Risk	-	ok	-	10.4
8	42301-8822905-9	ADIL AHMED BALUCH	Agriculturist	Low Risk	-	ok	-	27.3
90	42000-0569722-1	KAZEM REZA NENSEY	Agriculturist	Low Risk	-	ok	-	7.8
10	35201-3029372-5	MUHAMMAD RAFIQUE	Service	Low Risk	-	ok	-	8.0
11	35202-2688154-3	ABID HUSSAIN	Business	Low Risk	-	ok	-	5.9

(viii) As per details submitted by the Respondent and comparison of calculations made by the Commission, there appeared to be a difference in number of customers who breached the threshold as prescribed under Circular 10 of 2017 issued by the Commission, as follows. The Respondent informed that since its designated staff manually monitors trading limits in compliance with regulatory requirement and maintain record for exceptions, there might be some mistakes in calculation but after implementation of new system this issue will be resolved shortly:

For the Month of July 2017- As per Commission			July 2017- As per Respondent		
UIN	UIN_NAME	Net Traded Amount	UIN	Name	Net Traded Amount (Rs. In million)
3520226881543	ABID HUSSAIN	5,953,350.00	35202-2688154-3	ABID HUSSAIN	5.9
0067136	ADAMJEE LIFE ASSURANCE COMPANY LIMITED	289,436,235.80	0067136	ADAMJEE LIFE ASSURANCE COMPANY LIMITED IMF	290.2
0042274-04	AL-AMEEN SHARIAH STOCK FUND	27,090,100.00	42301-8822905-9	ADIL AHMED BALUCH	27.3
0041649-04	ALHAMRA ISLAMIC STOCK FUND	41,897,075.00	42301-0874219-3	BAHAUDDIN KHAN	10.3
4230108742193	BAHAUDDIN KHAN	10,360,950.00	0040559	EFG HERMES PAKISTAN LIMITED	24.3
EHOLLC1009934 OM	EFG HERMES OMAN LLC	127,062,096.20	42000-0569722-1	KAZEM REZA NENSEY	7.8
4530286023955	GUL SHER	6,613,216.75	42201-8546406-0	MEMOONA TANVEER	13.7
IPL336887HK-IBD	INSTINET PACIFIC LIMITED-IBD	92,423,317.75	35201-3029372-5	MUHAMMAD RAFIQUE	8.0
0041649-03	MCB PAKISTAN STOCK MARKET FUND	66,015,845.00	42301-1080208-5	MUZAMMIL ASLAM	20.7
3520130293725	MUHAMMAD RAFIQ	7,999,301.48	42201-0608987-0	SAMINA SIKANDER	10.0
0052217-02	NAFA STOCK FUND	48,165,314.00	37405-7915043-1	TAQI AHMAD KHAN	10.4
4330405657292	NAGINA AURANGZEB	6,633,147.84	JUD-III/PF/1990-91/1598	THE AGA KHAN UNIVERSITY EMPLOYEES PROVIDENT FUND	165.2





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4230108673155	RIZWAN ABBAS	5,280,680.00			
4230194036135	SAFDAR MUMMUNKA	8,022,851.80			
4220106089870	SAMINA SIKANDAR	53,627,143.92			
4200004971829	SHOUKAT ALI	15,799,619.00			
4220103186720	SUKAINA	7,744,282.74			
JUD-III/PF/1990-91/1598	THE AGA KHAN UNIVERSITY EMPLOYEES PROVIDENT FUND	27,724,159.00			

(ix) In view of absence of customer identification, improper risk assessment and categorization of clients, absence of enhanced due diligence, absence of ongoing due diligence and absence of proper training, it appeared that the Respondent did not have adequate checks and controls to monitor and remain alert regarding suspicious transactions.

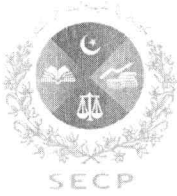
3. It appeared from the foregoing that the Respondent *prima facie* acted in violation of section 74(b) of the Securities Act, regulations 16(1)(k), 16(1)(o) and 16(8) of the Brokers Regulations, Circular No. 10 of 2017 dated April 21, 2017 issued by the Commission, regulations 4.17 and 4.24 of the PSX Regulations and the Know Your Customer & Customer Due Diligence Guidelines issued by PSX on March 16, 2012.

4. The Commission took cognizance of the aforementioned alleged violations and served the SCN dated September 13, 2018 under section 150 of the Securities Act to the Respondent. The Respondent was called upon to Show Cause in writing within seven days from the date of receipt of the SCN and the case was scheduled for hearing before the undersigned on September 27, 2018. The Respondent filed written reply to the SCN vide letter of October 01, 2018. Hearing in the matter was rescheduled and held on October 05, 2018.

5. The submissions made by the Respondent in response of the SCN and verbally during the course of hearing are summarized as under:

- (i) *Know Your Customer & Customer Due Diligence Guidelines (KYC/CDD Guidelines) issued by PSX does not cover Currency Transaction Reporting (CTR). Further, it does not mention that reporting for CTR will to be covered in the KYC/CDD/AML/CFT policy. As per the Respondent's Policy, Section E titled as "MONEY LAUNDERING AND COMBAT TERROR FINANCING" clearly mentions that the Respondent does not accept payment in cash above the prescribed limit under regulation and all payment are made by the Respondent only through cheque or banking instrument. Furthermore, as mentioned in the Comments, the Respondent has independent Internal Audit Department and Compliance Functions who regularly review all compliances in respect of regulatory requirements. Moreover, the Respondent's policies and procedures also incorporate all respective regulatory compliances in this regard like as "Any information concerning customers and their transactions shall be provided to the exchanges, Financial Monitoring Unit or the Commission as and when required. All requirements of Anti Money Laundering Act, 2010 as applicable, including the requirement to file Suspicious Transaction Reports*





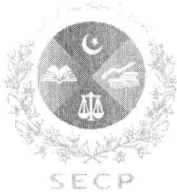
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and any directives, circulars, guidelines issued in this regard by Federal Government, Financial Monitoring Unit and SECP shall be complied". Furthermore, as mentioned in the Comments, the Respondent is in process of developing new systems which are being tested parallel to existing one and its group company also working in respect of implementation of updated Compliance manual as per international best practices which will of course cover all regulatory aspects of local laws as well. One of the examples is that now we are using real time Thomson Reuters Online System through which we perform screening of each client before and after opening the account at website <https://rms-world-checkone.thomsonreuters.com> for any suspected account. All the same, please note that in deference to the Observation of the Inspection Team, the Respondent's Policy has been modified to specifically cover the CTR aspects. Furthermore, the Respondent's Policy is being updated in light of promulgation of Securities and Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism Regulations, 2018 - AML Regulations 2018). It is only recently that PSX has issued a Notice No. PSX/N-4634 dated August 10, 2018, that KYC/CDD Guidelines of March 16, 2012 have been repealed with immediate effect due to promulgation of AML Regulations 2018. It is thus evident that the entire objective of KYC/CDD Guidelines was to prevent money laundering and countering financing of terrorism. At EFG, there has not been a single transaction or activity on part of any client that could be regarded as suspicious and no notice has been taken by any regulator or authority involving any client of EFG. This itself is sufficient compliance of the KYC/CDD Guidelines. EFG also ensures compliance with all requirements of AML Regulations 2018 in true letter and spirit.

(ii) It is the policy of the Respondent to physically verify the client for proper identification so that anonymous and fictitious account could be avoided. The Respondent's Customer Support Team collects data from client about source of income while location/domicile of customers is mentioned in account opening form and is even confirmed over telephone calls, if possible. In respect of those clients who mention their profession as a "house wife" and since this provision has already been given in the Standardized Account Opening Form, being a securities broker, the Respondent do it best efforts to get the data regarding clients' financial soundness directly or indirectly and also request respective clients to provide additional documents if required to the extent of our satisfaction so that source of income/funding could be verified as much as possible. Further, the Respondent receives payments through banking instruments only. With regard to the instances cited in sub-paras a., b. and c. of para 4(ii), the position is as follows:-

- a. Samina Sikander – Income/Wealth Tax Return has been provided by the client to confirm the financial position of clients. Copy is furnished. In respect of those accounts who authorize other person to operate his/her account, the Respondent obtains Authority Letters, as per requirement of regulation/terms of AOFs. Therefore, the same has been done in case of the client "Samina Sikandar" who authorized Shakir Padela to operate her account and the Authority Letter was submitted with the Account Opening Form. Copy of the same was submitted with the comments and is also furnished.
- b. Shama Azam - This account had been activated in 2006 when said regulation was not in effect. Furthermore, this client does not have any contact with the Respondent since long, her record will be updated as and when we receive the requisite information and documents. The Respondent has blocked this Account





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in its system, which will be activated only after the Respondent receives the requisite information and documents.

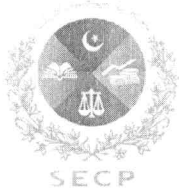
- c. Adil Ahmed Baluch - Trading threshold was exceeded from prescribed in the Commission's Circular No.10 of 2017. The Respondent maintain data of all such clients who exceed the limit in compliance with above Circular. In this respect we ensure our extended vigilance on such types of clients for monitoring their activities regularly.*

Payments on account of Samina Sikandar and Adil Ahmed Baluch were made to Next Capital on the instructions of these clients for the subscription of BOP shares of which Next Capital was an Underwriter. Hence, there is no illegality,

- (iii) As mentioned in the Comments, at the relevant time the Respondent's staff used to manually perform these functions, due to which it is quite possible that errors may have occurred. To err is human. However, the Respondent has now implemented a new system which is equipped with all these automated functions, which will ensure accuracy of requirement for risk categorization. The Respondent does not open account of any non-face-to-face client. All accounts are opened with trader assisted and user ID and password is provided to clients to check their positions and to enable them to trade through online as and when required. Therefore, the Respondent assigns those clients as low risk. However, we look forward to the Commission's guidance with regard to non-face to face/online clients in this scenario. The Respondent has more than satisfactory customer identification risk assessment and categorization of client in addition to Enhanced Due Diligence ("EDD"), on-going due diligence, training and adequate checks and controls. The Respondent always accords top priority to the above requirements not only to comply with the Law, but also as a matter of its own policy and commitment to conduct its affairs in accordance with the highest legal and ethical standards. As mentioned above, the Respondent has developed a system via which now all clients according to their nature/limit (in relation with Circular 10 of the Commission) are reflected by just a click of a button and the risk category is changed accordingly. No accounts can be opened at the Respondent without proper categorization and risk assessment of clients which include all of their credentials in the Account Opening Form (KYC Form is part of Account Opening Form).*

- (iv) The Respondent does not agree with observation contained in para 4(iv) of the SCN:*
- a. Merrill Lynch International - It has provided the requisite authorization to the Respondent in accordance with Merrill Lynch International's Articles of Incorporation and the law of its country of incorporation. The authorization is furnished.*
- b. Al-Shifa Trust - The Respondent has already submitted all respective documents as identified by the Inspection Team with its Comments, which are also enclosed herewith as Annexure-V. Only Financial Statements was missing for which the Respondent has requested client to provide the same. It may be noted that many clients and specially the philanthropic Trusts and other such organizations are reluctant to submit Financial Statements due to secrecy elements.*
- c. Goldman Sachs & Co. - As mentioned in the Comments, the Respondent had earlier addressed this issue vide its email of November 1, 2017, in respect of AOF of foreign clients. The same is reproducing as follows:- "This account has been activated at the time of MSCI rebalancing in the Month of May 2017. We*





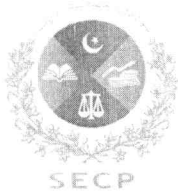
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have requested for signed AOFs other documents but some constitutive documents have been received and submitted with your office.

Moreover, the international brokers are having different regulatory requirements a bit complicated which make them very skeptical about the terms mentioned in our local agreement; moreover the DVP settlement mechanism is not mentioned in the terms and conditions of the agreement. One more important point which pertinent to mention here that since the custodians being IDS remain responsible for making settlement with NCCPL and our agreement form has not been designed from foreign clients' perspective therefore they reluctant to sign such agreement(AOF). However, we are doing our best to get such sign off.

- (v) The Respondent keeps on checking clients' financial positions during course of business relationship directly and indirectly and its respective staff always remain in contact with them because the Respondent's own risk as securities broker is involved in case there is any over exposed client. However, the pertinent client, i.e. Samina Sikandar, is a high net worth individual. Income/Wealth Tax Returns were submitted as an evidence of financial health of the client. The same are also furnished.
- (vi) As mentioned in the comments, the Respondent's respective staffs have attended various awareness and training session as organized by PSX/CDC/SECP/NCCPL/other institutions, but in most cases no certificates were issued. In some case certificate were issued, which were submitted with the Comments for the relevant period. The same are also furnished. Now, after integration with EFG Group from the month of September 2017 onwards all respective staff are mandatory required to attend various courses of international recognition like, AML, Fraud, Financial Crime, information security etc. The Respondent has submitted the same with the Comments, as evidence. The same are furnished. The Respondent even enhances the scope of KYC/CCD requirement by periodic in-house training sessions. The Commission's authorized officers are most welcome to visit such sessions if required for which the Respondent can send advance intimations to the Commission.
- (vii) As mentioned in the Comments, the Respondent has already started to maintain record of transaction crossed the minimum threshold in compliance with Circular No. 10 of 20 17. However, there might be some misunderstanding with regard to the calculation mechanism. The Commission will be pleased to know that the Respondent's has now been fully automated and updated to avoid any human error in future.
- (viii) As mentioned above, the Respondent's designated staff used to manually monitor trading limits in compliance with regulatory requirement and maintain records at the relevant time. However, there might be some misunderstanding with regard to the calculation mechanism. The Commission will be pleased to know that the Respondent's has now been fully automated and updated to avoid any human error in future.
- (ix) The Respondent respectfully denies the allegations in relation to absence of customer identification, improper risk assessment and categorization of clients, enhanced due diligence, absence of ongoing due diligence, lack of sufficient human resource in compliance functions and absence of proper training, which are all also being performed satisfactorily. Moreover, after implementation of new system, there are fool-proof checks and controls. As far as sufficient human resource are concerned for compliance functions, the management of the Respondent is doing best to implement





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full-fledged independent compliance functions by procuring additional resources. Checks and controls are all in place.

- (x) *Due to cumbersome requirements under the relevant regulations and guidelines forming subject matters of the SCN, there may have been some unintentional shortcomings in the records maintained by the Respondent. Hence, if at all, there is any inadvertent lapse, the same may be condoned in the interest of justice.*

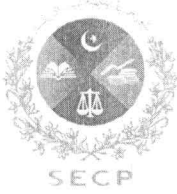
6. I have heard the arguments presented by Representative of the Respondent during the hearing. Additionally, I have perused the available record, existing regulatory framework and written response filed by the Respondent. The primary allegation against the Respondent is that it acted in non-compliance with provisions of the relevant laws mentioned in para 3 above.

7. In order to arrive at a decision, it is essential to consider that:

- (i) Respondent has stated that it has now covered the aspect of CTR in its policy which was not included therein earlier;
- (ii) income/wealth tax return and authority letter relating to customer Samina Sikander has now been furnished by the Respondent. However, no explanation has been furnished for the authorized person's email address appearing in the account opening form of the customer. Further, Respondent has admitted that it has no contact with customer Shama Azam which illustrates that investment profiling of the said customer had not been documented by the Respondent;
- (iii) Respondent has admitted that payments on account of Samina Sikandar and Adil Ahmed Baluch were made to Next Capital on the instructions of these customers, which is in contravention to requirements of regulation 4.24 of the PSX Regulations;
- (iv) Respondent stated that it now has a new system in place which shall ensure accuracy of risk categorization. This exhibits that the Respondent had inaccurately categorized its customers earlier;
- (v) Respondent stated that the relevant documents for Merrill Lynch International and Al-Shifa Trust were obtained post-inspection while it is still in the process of obtaining information from Goldman Sachs & Co. This illustrates that there was lack of documentation of these customers without which EDD is not possible;
- (vi) evidence of income for Samina Sikander has been furnished by the Respondent after it was highlighted by the inspection team; and
- (vii) Respondent has stated that it has now started to maintain record in accordance with Circular 10 of 2017 and also automated its system to avoid any human error in future, which illustrates that the record was not being maintained in accordance with the law earlier.

8. Before arriving at a decision, it is pertinent to mention that regulatory requirements relating to KYC/CDD and AML have been implemented since the year 2012 considering the public interest, integrity of the Pakistani capital market and the country's international commitments. Hence, all licensed persons are expected to ensure strict compliance with this regime by remaining vigilant and putting in place requisite policies and procedures to curtail activities relating to money laundering and financing of terrorism. The Commission has adopted a zero tolerance policy towards any gaps in this area and will not show any leniency for non-compliances in future.





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9. Based on the above and the fact that the Respondent has accepted certain non-compliances in its response and during the course of the hearing, which have been rectified or are being rectified, I have reasons to conclude that it is established that the Respondent was guilty of misconduct in terms of section 150(5) of the Securities Act, as the Respondent is non-compliant with provisions of relevant laws mentioned in para 3 above.

10. In view of the foregoing, violations of the regulatory framework committed by the Respondent are established. However, it was observed based on the response and during the course of the hearing that the Respondent did not have complete understanding of the regulatory framework. While ignorance of law is not an excuse as the regulatory framework has been in effect since the year 2012, since the thematic review of the Respondent for AML, KYC and CDD has been carried out for the first time, I have decided to take a lenient view. Considering the same, no monetary penalty is being imposed, however, the Respondent is strictly warned to ensure compliance with the relevant legal framework.

11. Furthermore, the Commission will carry out a follow-up review within due course of time to assess whether the aforementioned violations have been rectified by the Respondent and in case of continued non-compliance, the Commission shall adopt a stringent course of action.

12. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.



(Shaukat Hussain)
Commissioner

Announced on October 29, 2018
Islamabad.