

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

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

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Date of Hearing

August 20, 2020

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**Order-Redacted Version**

Order dated September 07, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Fair Edge Securities (Pvt) Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated June 25, 2020
2. Name of Company	Fair Edge Securities (Pvt) Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Fair Edge Securities (Pvt) Limited.
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for the violations of Regulation 6(3)(c), 6(5)(a), 6(3)(a), 6(4), 4(a), 13(7), 15(3), 4(d) and 13(1) 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> <ol style="list-style-type: none"><li>i. In context of three identified instances of violations of Regulation 6(3)(c) and 6(5)(a), 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 their reply of SCN were not relevant to the highlighted instances in the SCN. The Respondent has therefore violated the said Regulations of the AML Regulations in relation to identified instances.</li><li>ii. The contention of the Respondent, in respect of compliance of Regulation 6(3)(a) that at the time of inspection, KYC/CDD of a Joint Holder of CDS Account No. 1650 could not be traced so was not provided to inspection team, is untenable. Though the Respondent provided the said KYC/CDD of the said client in response to SCN,</li></ol>



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	<p>however, it could not substantiate with the pre-inspection evidence that the submitted KYC/CDD of the said client was carried out at the time of opening of account.</p> <p>iii. The Respondent was required to comply with the regulatory framework wherein validation from NADRA Verisys is mandatory. In reply to the SCN as above mentioned and during the hearing the Authorized Representatives of the Respondent admitted the SCN facts regarding non-validation the photocopies of identity documents of its 25 clients through NADRA Verisys. Therefore, violation of Regulation 6(4) of AML Regulations on part of Respondent is evident.</p> <p>iv. With respect to the violation of Regulations 4(a), 13(7) and 15(3), the Authorized Representatives could not exhibit the appropriate evidence that at the time of Inspection, Respondent was maintaining centralized database of customers nominees, joint account holders, BOD/Trustees/Office bearers/beneficial owners, enabling it to perform screening of account holders/nominees/authorized persons from the list of proscribed persons/designated individuals. Further, the Respondent did not provide appropriate evidence such as "NIL / "no match" report /email/ internal memo from its compliance officer to its senior management to exhibit periodic screening and requisite documentation. Moreover, furnished evidence <i>i.e. Annexure 5</i> with reply to the SCN, could not be considered as sufficient evidence on account of missing details.</p> <p>v. The Respondent in reply to the SCN and Authorized Representatives, during the hearing admitted the default and submitted that subsequent to the Inspection, Respondent has rectify the default of the Regulation 4(d) of the AML Regulations by appointing Internal Auditor officer of the Respondent vide its letter dated May 04, 2020.</p> <p>vi. The Respondent could not submit any evidence to substantiate that at the time of inspection, business relations with customers were being monitored by the Respondent on an ongoing basis for the complying of Regulation 13(1) of the AML Regulations.</p> <p>In view of the foregoing and admission made by the Representatives, contraventions of the provisions of Regulations 6(3)(c), 6(5)(a), 6(3)(a), 6(4), 4(a), 13(7), 15(3), 4(d) and 13(1) of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 750,000/- (Rupees seven hundred fifty thousand) is hereby imposed on the Respondent. The Respondent is advised to examine its AML/CFT policy &amp; procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.</p>
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	Penalty Order dated September 07, 2020 was passed by Executive Director (Adjudication-I).
6. Penalty Imposed	A penalty of Rs. 750,000/- (Rupees seven hundred and fifty thousand only) was imposed on the Company.
7. Current Status of Order	An appeal has been filed against this Order.

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