

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

In the matter of Show Cause Notice issued to M/s. First Choice Securities Limited

Date of Hearing

June 22, 2020

Order-Redacted Version

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

Nature	Details
1. Date of Action	Show cause notice dated April 27, 2020
2. Name of Company	First Choice Securities Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. First Choice Securities Limited and its Compliance Officer.
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 and Section 150 of the Securities Act, 2015 for the violations of Regulation 4(a), 4(d) and 18(c)(iii) of the AML and CFT Regulations, 2018 and Regulation 29(5), 16(9)(e) and 16(9)(f) of the Licensing Regulations.
5. Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have examined the written as well as oral submissions of the Respondent and its Authorized Representatives. In this regard, I observe that:</p> <ol style="list-style-type: none">i. The submission of Respondent that there are no clients in its brokerage house and its only engaged in proprietary trading is not tenable as being a licensed securities broker, Respondent has to meet all the regulatory obligations of the AML Regulations. The violation of Regulation 4(a) of the AML Regulations is evident as the Authorized Representative of the Respondent in hearing also admitted that the deficiencies in its AML/CFT policies were removed only after identification in Review.ii. The default of Regulation 18c(iii) cannot be denied in view of facts mentioned above. Further Authorized Representatives of the Respondent also acknowledged the said violation during the hearing.iii. Authorized Representative admitted the default of Regulation 29(5) of Licensing Regulations in the hearing and informed that till date Respondent is non-complied with the regulatory requirement of having an independent and effective compliance function in terms of the Regulation 29(5) of



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	<p>Licensing Regulations. Therefore, the Respondent has contravened the said Regulation of the Licensing Regulations.</p> <p>iv. In response to Commission's letter of finding dated July 05, 2019, the Respondent vide its letter dated Nil admitted that currently CEO is directly looking into compliance matter. Subsequently during the hearing, Authorized Representative also admitted in the hearing that till date the Respondent is non-complied with respect to the independent and effective audit function in terms of the Regulation 4(d) of the AML Regulations and Regulation 16(9)(e) and 16(9)(f) of Licensing Regulations. Therefore, the Respondent has contravened the said Regulations of the AML Regulations and the Licensing 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. 200,000/- (Rupees two hundred thousand) is hereby imposed on the First Choice Securities Limited, as well the contraventions of the provisions of Licensing Regulations have also been established. Therefore, in terms of powers conferred under section 150 of the Securities Act 2015, a penalty of Rs. 50,000/- (Rupees fifty thousand) is hereby imposed on the First Choice Securities Limited. The First Choice Securities Limited 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 July 07, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 200,000/- (Rupees two hundred thousand only) under Section 40A of the Act and Rs. 50,000/- (Rupees fifty thousand only) under Section 150 of the Securities Act, 2015 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.