

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

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

Date of Hearing

Hearing opportunity was waived by the Broker.

Order-Redacted Version

Order dated July 13, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of General Investment & Securities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated May 12, 2020
2. Name of Company	General Investment & Securities (Pvt.) Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. General Investment & 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), 4(d), 18 c(iii) of the AML and CFT Regulations, 2018 and Regulation 29(5), 16(9)(e) & 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 submissions of the Respondent. In this regard, I observe that:</p> <ol style="list-style-type: none">i. With regard to the deficiencies in AML/CFT Policy, the Respondent provided that it is in process of updating its AML/CFT policies in line with the AML Regulations, 2018 which shall be shared with the Commission after the requisite approval. During the review, it was observed that the policies was deficient with respect to various areas as highlighted in the SCN. It is pertinent to note here that AML Regulations were promulgated in June, 2018 wherein the Respondent was required to update its policy and procedures as per the requirements of Regulation 4(a) of the AML Regulations. The Respondent's policy is still under the process of updating after a lag of a year. It must be noted that in order to implement effective AML/CFT system, the Respondent was required to primarily update its policy in



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accordance with the AML Regulations and ensure its implementation. Such delay on behalf of the Respondent in updating its policy/procedures reveals negligence to comply with the AML enforcement regime and therefore, the Respondent was found non-compliant with the Regulation 4(a) of the AML Regulations. In view of the facts, the default of Regulation 18(c)(iii) cannot be denied wherein the Compliance Officer was also required to monitor, review and update its AML/CFT policy and procedures.

- ii. With regard observation regarding the Compliance function, the Respondent submitted that it has appointed a designated compliance officer in light of the observation highlighted by the Commission. Here it may be noted that the requirement for compliance officer is prescribed under the Licensing Regulations which were promulgated in 2016. Further, the job and responsibilities of the compliance officer with regard to the AML/ CFT functions are provided in AML Regulations, 2018. The Respondent had not appointed a designated compliance officer until the Review and it was observed that its manager accounts was also performing the compliance functions and its compliance reports were also co-signed by the internal audit department which is against the essence of both Licensing Regulations and AML Regulations. Further, its compliance report was also missing major aspirations of AML Regulations which are now rectified by the Respondent. In view of the said, I have found the Respondent to be non-compliant with Regulation 16(9)(e) of the AML Regulations. Further, in absence of monthly compliance reports, the Respondent is also found to be in contravention of Regulation 29(5) of the Licensing Regulations.
- iii. With regard to the observation regarding the internal audit, the Respondent had submitted that they are in the process of setting up an independent audit function to test its AML/CFT systems as per the requirements of AML Regulations. Here, it is also important to mention that the requirement for an effective and independent audit function was prescribed under the Licensing Regulations in 2016. Further, the AML Regulations provides for the independent testing of its AML/CFT systems by the internal audit function. This observation was addressed subsequent to the findings of the review. Such delay to ensure effective compliance of its statutory obligations and AML Regulations reveals negligence on part of the Respondent. In my view, the Respondent is found to be non-compliant with Regulation 4(d) of the AML Regulations and Regulation 16(9)(e) & 16(9)(f) of the Licensing Regulations.

In view of the foregoing and admission made by the Representatives, contraventions of the provisions of AML Regulations & Licensing Regulations have been established. Therefore, in terms of powers conferred under section



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	<p>40A of the Act, a penalty of Rs. 300,000/- (Rupees Three Hundred Thousand Only) is hereby imposed on the Respondent. Further, in terms of powers conferred under section 150 of the Securities Act 2015, a penalty of Rs. 50,000/- (Rupees Fifty Thousand Only) is also imposed on the Respondent.</p> <p>Penalty order dated July 13, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 300,000/- (Rupees three hundred thousand only) under section 40A of the Act, and, a penalty of 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.