

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

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

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Date of Hearing

June 15, 2020

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**Order-Redacted Version**

Order dated August 24, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Growth Securities (Pvt.) Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated May 12, 2020
2. Name of Company	Growth Securities (Pvt.) Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Growth Securities (Pvt.) Limited
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for the violations of Regulation 6(3)(a), 6(4), 11(2), 13(1) 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 as well as oral submissions of the Respondent and its Authorized Representatives. In this regard, I observe that:</p> <ul style="list-style-type: none"><li>i. The Respondent provided Client's dividend zakat &amp; tax deduction summary report for the year 2017-2018 and a copy of visiting card to substantiate compliance of Regulation 6(3)(a). However, these documents cannot be considered as evidence of the source of funds, therefore, the Respondent has violated the Regulation 6(3)(a) of the AML Regulations. During the hearing, the Authorized Representatives informed that subsequent to the Inspection, Respondent rectified the default.</li><li>ii. The Respondent was required to comply with the regulatory framework wherein validation of identification documents from</li></ul>



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	<p>NADRA Verisys is mandatory. During the hearing the Respondent admitted the SCN facts regarding non-validation the photocopies of identity documents of its ten customers through NADRA Verisys. Further, they informed that subsequent to the Inspection, respondent has rectified the default in the identified cases. Therefore, violation of Regulation 6(4) of AML Regulations on part of Respondent cannot be denied.</p> <p>iii. In context of the Respondent failure to record justification for categorizing ten customers as "low risk" as required under Regulation 11(2), the Respondent contented that categorization of low risk was based on respective KYC/CDD checklist, which serve as a substitute of written justification required under the Regulation. The said contention of the Respondent is not plausible. Authorized Representatives submitted that going forward Respondent will ensure compliance of the regulation and will record the justifications for categorizing customers as low risk.</p> <p>iv. In order to substantiate the compliance of Regulation 13(1) of the AML Regulations, Respondent submitted a system generated report regarding risk categorization of the clients and mentioning remarks that <i>"risk assessed based on customer profile"</i>. The said report is not relevant and cannot be regarded as evidence for complying the requirement of said Regulation 13(1) of the AML Regulations. Thus, the Respondent has failed to substantiate the existence of some mechanism or procedure to monitor business relationship with its clients on ongoing basis as required under Regulation 13(1) of the AML Regulations.</p> <p>v. Respondent's response to inspection team clearly depicts violation of Regulation 13(7) of AML Regulations, wherein Respondent admitted the default by submitting the following:</p> <p><i>"Currently, we have maintained the database of main applicant &amp; Joint holder's name. However, the database of the aforementioned persons will be started shortly. In this regard, we have contacted with our vendor to overcome the same."</i></p> <p>Further, the Authorized Representatives during the hearing could not exhibit any evidence that Respondent had requisite database and it was performing screening of its customers before the inspection. During the hearing, the Authorized Representatives informed that subsequent to the Inspection, Respondent has duly rectified the identified default.</p>
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	<p>In view of the foregoing and admission made by the Representatives, contraventions of the provisions of Regulations 6(3)(a), 6(4), 11(2), 13(1) 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. 300,000/- (Rupees three hundred 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> <p>Penalty order dated August 24, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 300,000/- (Rupees three hundred 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.**