

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

In the matter of Show Cause Notice issued to Habib Metropolitan Financial Services Limited

Date of Hearing

January 28, 2020

Order-Redacted Version

Order dated March 20, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Habib Metropolitan Financial Services Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated January 15, 2020
2. Name of Company	Habib Metropolitan Financial Services Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Habib Metropolitan Financial Services Limited
4. Nature of Offence	In view of alleged violations of Anti Money Laundering Regulations, 2018, proceedings were initiated in terms of section 40A of the Securities and Exchange Commission of Pakistan Act, 1997, for violation of Regulation 4(a), Regulation 13(7), Regulation 6(3)(c) and Regulation 6(8)) 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 submissions made in writing and during the hearing as well as issues highlighted in the show cause notice and requirements of the AML Regulations, 2018. The facts of the case may be summarized as under:</p> <p>a. With regard to the compliance of Regulation 4(a) and 13 (7) of the AML Regulations, the Respondent could not furnish any documentary evidence substantiating that some procedure/system was in place and functional at the time of Inspection in respect of identification of beneficial owner, maintaining centralized database of customers' nominees, joint account holders, BOD/Trustees/Office</p>



Securities and Exchange Commission of Pakistan

Adjudication Division Adjudication Department-I

	<p>bearers/beneficial owners and screening of clients database on periodic basis. During the hearing, the authorized representatives submitted that subsequent to the Inspection, the system has been updated in the light of the requirements of the Regulations. Hence, the violation Regulation 4(a) and 13 (7) of the AML Regulations is evident.</p> <p>b. The Respondent contended that reason of not categorizing the risk rating of its three clients as required under Regulation 6(8), was deployment of new system, wherein risk rating to already closed accounts cannot be assigned. Respondent further submitted that these accounts were categorized in their previous database system and closed. However, during in the hearing, the Respondent could not produce any documentary evidence in support of its claim. Therefore, I am of the view that Respondent has contravened Regulation 6(8) of AML Regulation.</p> <p>c. During the hearing as well as in response to Letter of Findings, the Respondent admitted that it had no access to the NADRA's Verisys system, therefore was unable to validate the identity documents of highlighted instances. Thus, Respondent was in contravention of Regulation 6(8) of AML Regulations.</p> <p>d. Authorized Representatives could not provide evidence that documents substantiating source of income and/or beneficial owner of two clients identified in inspection, was available with the Respondent at the time of inspection. Therefore, the contravention of Regulation 6(3)(c) of the AML Regulations on part of Respondent cannot be denied.</p> <p>Penalty order dated March 20, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs.475,000/- (Rupees four hundred and seventy-five thousand) was imposed on the Company. Moreover, it was directed to implement measures to manage risks of AML/CFT.
7. Current Status of Order	An Appeal has been filed by the respondents

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