

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

In the matter of Show Cause Notice issued to M/s. Habib Metropolitan Financial Services Ltd

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 Ltd. 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 Ltd
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Habib Metropolitan Financial Services Ltd
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for violations of inter-alia Regulation 4(a), 6(3)(c), 6(8) and 13(7) of 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> <ol style="list-style-type: none">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 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.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



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	<p>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>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. 475,000/- (Rupees four hundred seventy-five thousand) is hereby imposed on the Respondent, The Respondent 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 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-fifty thousand) 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.