

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

In the matter of Show Cause Notice issued to IGI Finex Securities Limited

Date of Hearing

January 20, 2020

Order-Redacted Version

Order dated March 9, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of IGI Finex Securities Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated January 07, 2020
2. Name of Company	IGI Finex Securities Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. IGI Finex Securities 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 11(2) 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. The contention of the Respondent that in order to comply the requirements of Regulation 11(2) of the AML Regulations, Respondent was using risk profiling checklist adopted for KYC/CDD, wherein a low risk classification to any account/customer is based on responses to the questions documented in risk profiling questionnaire. The same was also exhibited by the Respondent as an evidence in support of its argument. Considering the fact that risk category were marked by the Respondent along with</p>



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	<p>the elements which could impact risk categorization of the customer, the argument of the Respondent is justifiable and no violation has been established in the identified instances.</p> <p>b. In respect of compliance of Regulation 4(a) in context of requisite screening, the Respondent has taken reasonable steps which were evident from the presented record of performing requisite screening process. The Authorized Representative of the Respondent submitted during the hearing that the reason of missing two names in last search report of automated system was due the fact that the related circular was not updated on the NACTA website. Further, the Authorized Representatives informed that the Respondent has deployed a system to get report on monthly basis for CNICs expiring in next 30-60 days range. However, Respondent has failed to furnish an evidence to depict that the said system was in place and functional at the time of Inspection. Therefore, contravention of Regulation 4(a) of the AML Regulations on account of above default is evident.</p> <p>c. The Respondent in support of its stance i.e. categorizing medium risk to three customers has highlighted the page 28 & Page 29 of the SECP's guideline on AML Regulations issued in September 2018, which allow the Respondent to category/c customer as low risk, medium risk and high risk. Further, AML department of the Commission has confirmed that that in view the feedback from industry and supervisory teams regarding customer categorization as "medium"* risk, the AML Regulations 2018 are being amended to include moderate risk category for customer's rating. Therefore, considering the aforesaid the alleged violation of Regulation 6(8) of the AML Regulations against the Respondent is unwarranted.</p> <p>Penalty order dated March 9, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs.350,000/- (Rupees three hundred and fifty thousand) was imposed on the Company. Moreover, it was directed to implement measures to manage risks of AML/CFT.
7. Current Status of Order	A Review application has been filed by the respondents

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