



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)
Adjudication Department

Through Courier

File No. 1(122) SMD/ADJ/KHI/2018

October 29, 2018

Intermarket Securities Limited
Through its Chief Executive officer,
140. 3rd Floor, Stock Exchange Building,
Stock Exchange Road,
Karachi

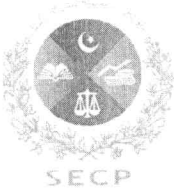
Subject: ORDER IN RESPECT OF SHOW CAUSE NOTICE DATED SEPTEMBER 10, 2018, BEARING NO. File No. 1(122) SMD/ADJ/KHI/2018

Dear Sir,

Please find enclosed herewith a copy of order in the title matter for your record and necessary action.

Yours truly,

Kamal Ali
Additional Director



Securities and Exchange Commission of Pakistan
Securities Market Division

Before the Commissioner (SMD)

In the matter of Show Cause Notice Issued to
Intermarket Securities Limited

| | |
|-------------------------------|---|
| <i>Date of Hearing</i> | <i>October 02, 2018</i> |
| <i>Present at the Hearing</i> | <i>Mian Noor Hameed, CEO</i> <i>Muhammad Younas, Head of Operations</i> <i>Jawad Rauf, Director</i> |
| <i>Place of Hearing</i> | <i>Through Video Conference from Regional Office,</i> <i>Karachi</i> |

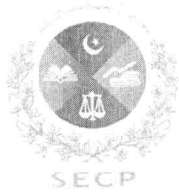
ORDER

This Order shall dispose of the proceedings initiated through Show Cause Notice (SCN) bearing No. 1(122) SMD/ADJ/KHI/2018 dated September 10, 2018. The SCN was served on Intermarket Securities Limited (“Respondent”) by the Securities and Exchange Commission of Pakistan (“Commission”) under section 150 of the Securities Act, 2015 (“Securities Act”). The Respondent is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange Limited (“PSX”) and licensed as a securities broker with the Commission under the Securities Act and the Securities Brokers (Licensing and Operations) Regulations, 2016 (“Brokers Regulations”).

2. Brief facts of the case leading to issuance of SCN are that the Commission vide order dated September 11, 2017, in exercise of the powers conferred under section 138 of the Securities Act, conducted inspection wherein a thematic review of compliance status of regulatory requirements relating to Anti Money Laundering (“AML”), Know Your Customer (“KYC”) and Customer Due Diligence (“CDD”) was carried out of the Respondent. The inspection report dated May 03, 2018 (“Report”) *inter alia* revealed the following:

- (i) The KYC/CDD policy of the Respondent was not comprehensive and did not elaborate several aspects as stipulated in the KYC/CDD Guidelines of PSX, as follows:
 - a. Identity of Customers: This aspect had not been covered in detailed required under the KYC/CDD Guidelines of PSX which mainly includes physical presence of customers and payment through banking instruments.
 - b. Risk Assessment: The Respondent’s policy did not cover procedures of risk categorization of all customers.
 - c. Ongoing Due Diligence: The Respondent had not covered ongoing due diligence of its customers as required under the KYC/CDD Guidelines of PSX.
 - d. Online customers not included High Risk category: Contrary to requirements of the KYC/CDD Guidelines of PSX, online customers had not been categorized as High Risk.
- (ii) Clause 3 of Circular 10 of 2017 issued by the Commission directs brokers to access compliance status with the regulatory requirements pertaining to KYC, CDD and EDD, wherein net traded amount (i.e. value bought-value sold) of an investor in a month is equal to or greater than the specified thresholds. It was observed that the data submitted by the Respondent also included the figures where customers had net



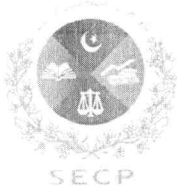


Securities and Exchange Commission of Pakistan
Securities Market Division

sold position, which appeared not to be in accordance with the said Circular. The Respondent informed that "...it was our understanding of law as was drafted, however, by reading your findings area it has cleared our understanding that negative amounts are not to be taken and accordingly we shall account for the same in future with respect to our reports...":

| Respondent's August 2017 Data with Net Sale | | | | |
|---|---|----------------|-----------------|----------------|
| NIC/UIIN | NAME | BUY_AMOUN T | SELL_AMOUN T | NET_AMOUN T |
| 423015585440 7 | AZNEEM BILWANI (P) | 441,537,762 | 1,138,028,548 | (696,490,786) |
| 422012105823 9 | UMER FAROOQ | 26,033,215 | 120,391,807 | (94,358,592) |
| 423015354793 1 | MUHAMMAD KAMRAN | 145,459,065 | 237,561,299 | (92,102,234) |
| 0053969-02 | CDC TRUSTEE HBL STOCK FUND | 15,717,516 | 107,113,646 | (91,396,130) |
| 423012656920 9 | SHAHID | 154,689,745 | 242,473,292 | (87,783,547) |
| 422016311813 3 | MUHAMMAD HANIF ALI MOHAMMAD | 39,109,837 | 123,207,661 | (84,097,824) |
| 107902 | AB HOLDINGS LIMITED | 23,042,430 | 100,652,474 | (77,610,044) |
| HE72487-IBD | RENAISSANCE SECURITIES (CYPRUS) LIMITED-IBD | 21,142,972 | 82,653,216 | (61,510,244) |
| 423012757203 9 | JAWED KARIM | 38,404,560 | 98,193,802 | (59,789,242) |
| 423016861833 2 | MEHNAZ NAVEED | 74,529,714 | 127,424,682 | (52,894,969) |
| 423011093465 5 | ASIF IQBAL | 81,444,155 | 120,278,757 | (38,834,602) |
| 0053969-04 | CDC TRUSTEE HBL ISLAMIC STOCK FUND | 7,736,548 | 44,124,517 | (36,387,969) |
| 423018341758 3 | JUNAID KHAN | 76,488,008 | 107,980,589 | (31,492,582) |
| 1190 | ADAMJEE INSURANCE CO.LTD | 39,892,418 | 65,875,000 | (25,982,582) |
| 422011246460 0 | SAMINA HANIF | 8,282,293 | 29,995,583 | (21,713,290) |
| 423011242032 5 | PARVEZ IQBAL MAKHDUMI | 147,297,317 | 164,366,064 | (17,068,747) |
| 423015108934 7 | MIRZA OMAIR BAIG | 193,229,053 | 207,362,401 | (14,133,348) |
| 421011947879 3 | MUHAMMAD YASIR SIDDIQUI | 44,266,632 | 56,401,157 | (12,134,525) |
| 423013715764 1 | MUKHTAR ALI | 25,276,300 | 36,058,926 | (10,782,626) |
| 422015070300 3 | MUHAMMAD GHUFRAN ABBASI | 18,685,148 | 28,640,229 | (9,955,081) |
| 422010795608 7 | MUHAMMAD FAHAD ZIA | 33,296,566 | 43,071,070 | (9,774,505) |
| 422017485820 3 | KHALID AKBER | 74,086,930 | 83,668,941 | (9,582,011) |
| 423018215126 4 | ZAINAB | 152,928,341 | 161,841,798 | (8,913,457) |





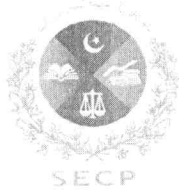
Securities and Exchange Commission of Pakistan
Securities Market Division

| NIC/UID | NAME | AMOUNT | AMOUNT | AMOUNT |
|---------------|-------------------------|------------|------------|-------------|
| 4200004875719 | SHAKIR | 42,982,733 | 51,210,284 | (8,227,552) |
| 4210117493023 | SHAH MIFTAH UL AZIM | 6,551,630 | 14,593,350 | (8,041,720) |
| 4230139424051 | NAVEED ALI MANGI | 2,565,245 | 9,965,578 | (7,400,333) |
| 3620181396733 | MUHAMMAD GHUFRAN ASHRAF | 30,045,243 | 36,696,194 | (6,650,951) |
| 4230151089347 | MIRZA OMAIR BAIG | 16,240,950 | 22,882,500 | (6,641,550) |
| 4230193484275 | MUHAMMAD NASIR | 6,393,461 | 13,027,987 | (6,634,526) |
| 4220112905812 | FEHMIDA YASMEEN | 3,006,770 | 9,228,030 | (6,221,260) |
| 4230151089347 | MIRZA OMAIR BAIG | 37,916,022 | 43,747,336 | (5,831,314) |
| 4220103134586 | KULSOOM | 7,517,434 | 12,919,523 | (5,402,089) |

(iii) As per Circular 10 of 2017 issued by the Commission, brokers are required to maintain record of customers having trades above the prescribed threshold. While reviewing the trading data provided by NCCPL for the months of July and August 2017, it was noted that certain customers had crossed the minimum threshold as defined under the said Circular but their Enhanced Due Diligence was not performed as required under the KYC/CDD Guidelines of PSX. It was observed that following customers were initially marked as Low Risk based on the threshold and (i) column of "Compliance status and action initiated" was marked as "Not Applicable", (ii) column of revised category has been reported as "Not Applicable", (iii) Enhanced Due Diligence was not performed, and (iv) column of action initiated has been reported as "Not Applicable". Thus, it appeared that due process had not been completed by the Respondent as required by the said Circular:

| NIC/UIIN | NAME | OCCUPATION | Initial | Revised (if any) | Compliance Status | Action Initiated | NET AMOUNT |
|---------------|----------------------|---------------|---------|------------------|-------------------|------------------|-------------|
| 3520298058285 | NADEEM NISAR | Industrialist | LOW | Not Applicable | Compliant | Not Applicable | 211,053,381 |
| 4200004782456 | MARIAM BAKAR GOKAL | House Wife | LOW | Not Applicable | Compliant | Not Applicable | 163,808,642 |
| 4230132356212 | SAIMA KANWAL | House Wife | LOW | Not Applicable | Compliant | Not Applicable | 71,094,074 |
| 4210108572991 | FURQAN MAJEED EDHI | Business | LOW | Not Applicable | Compliant | Not Applicable | 69,306,771 |
| 4220181569919 | FARAZ HUSSAIN | Service | LOW | Not Applicable | Compliant | Not Applicable | 63,790,367 |
| 4230108556522 | RAHILA | House Wife | LOW | Not Applicable | Compliant | Not Applicable | 44,723,820 |
| 4200007290497 | MAHFOOZ AHMED BAJWA | Business | LOW | Not Applicable | Compliant | Not Applicable | 35,199,691 |
| 4230123514526 | RABEEHA ARSALAN | House Wife | LOW | Not Applicable | Compliant | Not Applicable | 34,736,122 |
| 4230109159285 | MUHAMMAD SHAHZAD | Service | LOW | Not Applicable | Compliant | Not Applicable | 31,497,942 |
| 4230170831289 | MUHAMMAD ASIF ANSARI | Service | LOW | Not Applicable | Compliant | Not Applicable | 24,746,508 |
| 4230101219481 | MUHAMMAD RAFIQ | Business | LOW | Not Applicable | Compliant | Not Applicable | 22,378,203 |
| 4220116555896 | AYESHA ZAHID | House Wife | LOW | Not Applicable | Compliant | Not Applicable | 17,573,636 |





Securities and Exchange Commission of Pakistan
Securities Market Division

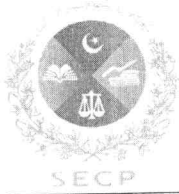
| | | | | | | | |
|-------------------|------------------------|------------------|---------|-------------------|-----------|-------------------|------------|
| 42201814 63085 | MOHAMMAD SHAHID | Service | LO W | Not Applicable | Compliant | Not Applicable | 14,887,233 |
| 42101382 02689 | ABDUL WAHAB | Service | LO W | Not Applicable | Compliant | Not Applicable | 14,871,307 |
| 42301394 24051 | NAVEED ALI MANGHI | Business | LO W | Not Applicable | Compliant | Not Applicable | 14,197,800 |
| 42201082 84592 | MAYA INAYAT ISMAL | Service | LO W | Not Applicable | Compliant | Not Applicable | 13,845,681 |
| 42201251 50263 | ZAHID HALEEM SHEIKH | Business | LO W | Not Applicable | Compliant | Not Applicable | 13,831,655 |
| 61101483 90151 | ZAID ZAFAR USMANI | Professiona l | LO W | Not Applicable | Compliant | Not Applicable | 13,442,563 |
| 42101877 97621 | MAHMOOD AHMAD | Business | LO W | Not Applicable | Compliant | Not Applicable | 11,221,100 |
| 42301152 57247 | ABDUL SAMAD | Professiona l | LO W | Not Applicable | Compliant | Not Applicable | 10,960,825 |
| 42301356 77543 | SYED FAHAD ALI | Business | LO W | Not Applicable | Compliant | Not Applicable | 10,149,110 |
| 42201068 61763 | ABDUL RAHIM | Service | LO W | Not Applicable | Compliant | Not Applicable | 10,131,876 |
| 42201831 45991 | REAZ AHMED SHERIFF | Service | LO W | Not Applicable | Compliant | Not Applicable | 9,666,990 |
| 42201440 66699 | FARUKH | Business | LO W | Not Applicable | Compliant | Not Applicable | 9,574,658 |
| 42201841 86070 | SANA SHIRAZ | House Wife | LO W | Not Applicable | Compliant | Not Applicable | 8,997,863 |
| 42201455 71927 | SALEEM IQBAL | Service | LO W | Not Applicable | Compliant | Not Applicable | 7,525,836 |
| 42000048 27073 | ABU BAKKAR | Business | LO W | Not Applicable | Compliant | Not Applicable | 6,955,929 |
| 42301617 65966 | HUMA MUJAHID AHMED | House Wife | LO W | Not Applicable | Compliant | Not Applicable | 6,348,590 |
| 42301964 43223 | ISMAL DHEDHI | Business | LO W | Not Applicable | Compliant | Not Applicable | 6,319,861 |
| 42101025 28661 | MUHAMMAD ARSHAD | Business | LO W | Not Applicable | Compliant | Not Applicable | 6,210,321 |
| 42101965 08019 | IMMAD ZAKI | Service | LO W | Not Applicable | Compliant | Not Applicable | 6,117,770 |
| 42101276 05330 | MRS SOBIA ASHRAF | House Wife | LO W | Not Applicable | Compliant | Not Applicable | 6,035,375 |
| 42201621 06451 | SHAHNAWAZ | Business | LO W | Not Applicable | Compliant | Not Applicable | 6,011,585 |
| 42201584 60863 | MUHAMMAD IMRAN | Service | LO W | Not Applicable | Compliant | Not Applicable | 5,714,074 |
| 42000040 41736 | NADRA IMRAN | House Wife | LO W | Not Applicable | Compliant | Not Applicable | 5,584,865 |
| 42301893 28277 | NADEEM HUSSAIN | Service | LO W | Not Applicable | Compliant | Not Applicable | 5,349,716 |
| 42301164 48195 | SHAHID JAMAL | Service | LO W | Not Applicable | Compliant | Not Applicable | 5,047,135 |
| 42201939 78807 | NIZAM-UD-DIN KHAN | Business | LO W | Not Applicable | Compliant | Not Applicable | 5,017,889 |
| 61101581 59721 | SARDAR AMAN KHAN | Business | LO W | Not Applicable | Compliant | Not Applicable | 5,012,200 |

(iv) As per details submitted by the Respondent and calculations made by the Commission, there appeared to be a difference in the number and value of net traded amount of customer who breached the threshold prescribed in Circular 10 of 2017 issued by the Commission. It appeared that the Respondent had not included other markets such as MT / MF in calculation of trading threshold:

Circular 10/2017 Compliance of August 2017- Comparison of Commission and Respondent

NIC Building, Jinnah Avenue, Blue Area, Islamabad, Pakistan
PABX: 9207091-94, TEL: 92-51-9100472, FAX: 92-51-9100440

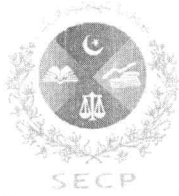




Securities and Exchange Commission of Pakistan
Securities Market Division

| As per Commission | | | As per Respondent | | |
|-------------------|--|----------------|-------------------|--|---------------|
| UIN | UIN NAME | Total | NIC/UIN | NAME | NET_AMOUNT |
| 0063183-02 | ABL STOCK FUND | 26,176,099.00 | 107902 | AB HOLDINGS LIMITED | (77,610,044) |
| 4200004827073 | ABU BAKKAR | 6,955,929.00 | 4220106861763 | ABDUL RAHIM | 10,131,876 |
| 0042274-17 | AL-AMEEN ISLAMIC DEDICATED EQUITY FUND | 35,909,540.00 | 4230115257247 | ABDUL SAMAD | 10,960,825 |
| 0041649-04 | ALHAMRA ISLAMIC STOCK FUND | 25,811,828.00 | 4210138202689 | ABDUL WAHAB | 14,871,307 |
| 4220181569919 | FARAZ HUSSAIN | 114,155,219.63 | 4200004827073 | ABU BAKKAR | 6,955,929 |
| 4220144066699 | FARUKH | 8,592,210.00 | 1190 | ADAMJEE INSURANCE CO.LTD | (25,982,582) |
| 0000488 | HABIB BANK LIMITED | 48,012,721.00 | OG-235357 | AFC UMBRELLA FUND | 24,987,506 |
| 4230196443223 | ISMAIL DEHDHI | 6,134,651.00 | 0042274-17 | AL-AMEEN ISLAMIC DEDICATED EQUITY FUND | 35,909,540 |
| 0035121 | JUBILEE LIFE INSURANCE COMPANY LIMITED | 246,515,903.28 | 4230110934655 | ASIF IQBAL | (38,834,602) |
| 4220190548233 | KASHIF IQBAL | 44,394,345.69 | 4220116555896 | A YESHA ZAHID | 17,573,636 |
| 4200004782456 | MARIAM BAKAR GOKAL | 5,101,307.00 | 4230155854407 | AZNEEM BILWANI (P) | (696,490,786) |
| 0041649-17 | MCB PAKISTAN ASSET ALLOCATION FUND | 108,757,745.00 | 48672 | BANK ISLAMIC PAKISTAN LTD | 30,275,227 |
| 0041649-03 | MCB PAKISTAN STOCK MARKET FUND | 36,358,580.00 | 0041649-17 | CDC TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND | 108,757,745 |
| 4230168618332 | MEHNAZ NAVEED | 12,017,946.77 | 0050560-01 | CDC TRUSTEE ASKARI HIGH YIELD SCHEME | 112,234,408 |
| 4220163118133 | MUHAMMAD HANIF ALI MUHAMMAD | 8,683,931.36 | 0053969-04 | CDC TRUSTEE HBL ISLAMIC STOCK FUND | (36,387,969) |
| 4210115892609 | MUHAMMAD SALEEM SIDDIQUI | 7,828,159.35 | 0053969-02 | CDC TRUSTEE HBL STOCK FUND | (91,396,130) |
| 4230189328277 | NADEEM | 5,349,716.00 | 0041649-04 | CDC TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND | 25,811,828 |

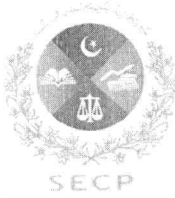




Securities and Exchange Commission of Pakistan
Securities Market Division

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|----------------|---|----------------|-------------------------|--|--------------|
| 3520298058285 | NADEEM NISAR | 211,053,381.00 | 0041649-03 | CDC TRUSTEE MCB PAKISTAN STOCK FUND | 36,358,580 |
| 4230139424051 | NAVEED ALI MANGI | 8,393,957.50 | 0063183-02 | CDC-TRUSTEE ABL STOCK FUND | 26,176,099 |
| 0047634-02 | PICIC GROWTH FUND | 55,748,121.20 | 4220181569919 | FARAZ HUSSAIN | 63,790,367 |
| 0047634-03 | PICIC INVESTMENT FUND | 31,087,464.00 | 4220144066699 | FARUKH | 9,574,658 |
| 4230108556522 | RAHILA | 7,070,095.00 | 4220112905812 | FEHMIDA YASMEEN | (6,221,260) |
| HE72487-IBD | RENAISSANCE SECURITIES (CYPRUS) LIMITED-IBD | 112,043,449.77 | 4210108572991 | FURQAN MAJEED EDHI | 69,306,771 |
| 0044619 | SAMBA BANK LIMITED | 30,616,377.00 | 488 | HABIB BANK LIMITED | 48,012,721 |
| 4230148988647 | TARIQ SIDDIQ PARACHA | 31,098,813.22 | 4230161765966 | HUMA MUJAHID AHMED | 6,348,590 |
| TP092011NL | TUNDRA PAKISTAN FUND | 60,786,589.00 | 4210196508019 | IMMAD ZAKI | 6,117,770 |
| BR004507 | UBS AG LONDON BRANCH | 133,837,354.64 | 4230196443223 | ISMAIL DHEDHI | 6,319,861 |
| UBSSAL120100HK | UBS SECURITIES ASIA LIMITED | 185,263,659.00 | 4230127572039 | JAWED KARIM | (59,789,242) |
| 6110148390151 | ZAID ZAFAR USMANI | 13,442,563.00 | 35121 | JUBILEE LIFE INSURANCE COMPANY LIMITED | 246,510,821 |
| 4230182151264 | ZAINAB | 16,319,993.00 | 4230183417583 | JUNAID KHAN | (31,492,582) |
| | | | 4220174858203 | KHALID AKBER | (9,582,011) |
| | | | 4220103134586 | KULSOOM | (5,402,089) |
| | | | LAL1025259HK-IBD | LIQUIDENT ASIA LIMITED-IBD | 51,884,250 |
| | | | LAL1025259HK-IBD | LIQUIDENTASIA LIMITED-IBD | 51,884,250 |
| | | | 130184294-5290160US-IBD | LXM USA LLP-IBD | 500,010,051 |
| | | | 4200007290497 | MAHFOOZ AHMED BAJWA | 35,199,691 |
| | | | 4210187797621 | MAHMOOD AHMAD | 11,221,100 |
| | | | 4200004782456 | MARIAM BAKAR GOKAL | 163,808,642 |
| | | | 4220108284592 | MAYA INAYAT ISMAIL | 13,845,681 |
| | | | 115 | MCB BANK LIMITED | 37,000,000 |
| | | | 4230168618332 | MEHNAZ NAVEED | (52,894,969) |

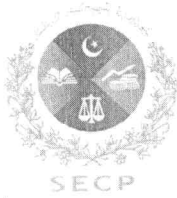




Securities and Exchange Commission of Pakistan
Securities Market Division

| | | 2012 | MEHRAN SUGAR MILLS LTD | 98,911,446 |
|--|--|---------------|------------------------------------|--------------|
| | | 4230151089347 | MIRZA OMAIR BAIG | (14,133,348) |
| | | 4230151089347 | MIRZA OMAIR BAIG | (6,641,550) |
| | | 4230151089347 | MIRZA OMAIR BAIG | (5,831,314) |
| | | 4220181463085 | MOHAMMAD SHAHID | 14,887,233 |
| | | 4210127605330 | MRS SOBIA ASHRAF | 6,035,375 |
| | | 4210102528661 | MUHAMMAD ARSHAD | 6,210,321 |
| | | 4230170831289 | MUHAMMAD ASIF ANSARI | 24,746,508 |
| | | 4220107956087 | MUHAMMAD FAHAD ZIA | (9,774,505) |
| | | 4220150703003 | MUHAMMAD GHUFRAN ABBASI | (9,955,081) |
| | | 3620181396733 | MUHAMMAD GHUFRAN ASHRAF | (6,650,951) |
| | | 4220163118133 | MUHAMMAD HANIF ALI MOHAMMAD | (84,097,824) |
| | | 4220158460863 | MUHAMMAD IMRAN | 5,714,074 |
| | | 4230153547931 | MUHAMMAD KAMRAN | (92,102,234) |
| | | 4230193484275 | MUHAMMAD NASIR | (6,634,526) |
| | | 4230101219481 | MUHAMMAD RAFIQ | 22,378,203 |
| | | 39134 | MUHAMMAD SHAFI TANNERIES (PVT) LTD | 446,393,982 |
| | | 4230109159285 | MUHAMMAD SHAHZAD | 31,497,942 |
| | | 4210119478793 | MUHAMMAD YASIR SIDDIQUI | (12,134,525) |
| | | 4230137157641 | MUKHTAR ALI | (10,782,626) |
| | | 4230189328277 | NADEEM HUSSAIN | 5,349,716 |
| | | 3520298058285 | NADEEM NISAR | 211,053,381 |
| | | 4200004041736 | NADRA IMRAN | 5,584,865 |
| | | 4230139424051 | NAVEED ALI MANGHI | 14,197,800 |
| | | 4230139424051 | NAVEED ALI MANGI | (7,400,333) |
| | | 4220193978807 | NIZAM-UD-DIN KHAN | 5,017,889 |
| | | 4230112420325 | PARVEZ IQBAL MAKHDUMI | (17,068,747) |
| | | 0047634-02 | PICIC GROWTH FUND | 54,763,121 |
| | | 0047634-03 | PICIC INVESTMENT FUND | 31,087,464 |
| | | 4230123514526 | RABEEHA ARSALAN | 34,786,122 |
| | | 4230108556522 | RAHILA | 44,723,820 |





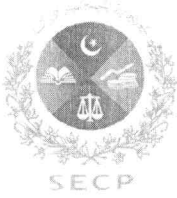
Securities and Exchange Commission of Pakistan
Securities Market Division

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|--|--|----------------|---|--------------|
| | | 4220183145991 | REAZ AHMED SHERIFF | 9,666,990 |
| | | HE72487-IBD | RENAISSANCE SECURITIES (CYPRUS) LIMITED-IBD | (61,510,244) |
| | | HE72487-IBD | RENAISSANCE SECURITIES (CYPRUS) LIMITED-IBD | 169,586,894 |
| | | 4230132356212 | SAIMA KANWAL | 71,094,074 |
| | | 4220145571927 | SALEEM IQBAL | 7,525,836 |
| | | 44619 | SAMBA BANK LIMITED | 30,616,377 |
| | | 4220112464600 | SAMINA HANIF | (21,713,290) |
| | | 4220184186070 | SANA SHIRAZ | 8,997,863 |
| | | 6110158159721 | SARDAR AMAN KHAN | 5,012,200 |
| | | 4210117493023 | SHAH MIFTAH UL AZIM | (8,041,720) |
| | | 4230126569209 | SHAHID | (87,783,547) |
| | | 4230116448195 | SHAHID JAMAL | 5,047,135 |
| | | 4220162106451 | SHAHNAWAZ | 6,011,585 |
| | | 4200004875719 | SHAKIR | (8,227,552) |
| | | 4230135677543 | SYED FAHAD ALI | 10,149,110 |
| | | TP092011NL | TUNDRA PAKISTAN FUND | 60,786,589 |
| | | BR004507 | UBS AG LONDON BRANCH | 133,837,355 |
| | | UBSSAL120100HK | UBS SECURITIES ASIA LIMITED | 185,263,659 |
| | | 4220121058239 | UMER FAROOQ | (94,358,592) |
| | | 4220125150263 | ZAHID HALEEM SHEIKH | 13,831,655 |
| | | 6110148390151 | ZAID ZAFAR USMANI | 13,442,563 |
| | | 4230182151264 | ZAINAB | (8,913,457) |

(v) It appeared that the Respondent had not taken reasonable care to establish proper profile of the following customers contrary to requirements of the KYC/CDD Guidelines of PSX. In certain cases detail and nature of occupation of the customers had not been mentioned. This included proof of employment, nature of business and source of income which were not attached with account opening forms. Further, intent and nature of investment and customer profile as required by the KYC/CDD Guidelines of PSX had not been complied with:

- a. MUHAMMAD FAISAL VAWDA: marked as businessman, proof of business /source of funds not attached. Respondent has marked "No" on the question, "Is the investor also the ultimate beneficiary of the funds to be invested?" In the instant case, joint account should have been opened or power of attorney be



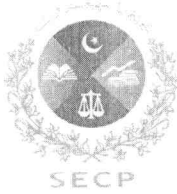


Securities and Exchange Commission of Pakistan
Securities Market Division

- provided by ultimate beneficiary with relevant documentary details of the beneficiary. No such requirements were fulfilled by the Respondent.
- b. HUMA MUJAHID AHMED: marked as House Wife. Proof of incomes provided by the Respondent is not dated and name of broker is not provided. No evidence of declaration of assets has been shared. KYC form not enclosed.
- (vi) It was observed that the Respondent had not documented risk appetite of its customers and the source of funds as required under the KYC/CDD Guidelines of PSX. For instance, customers namely HUMA MUJAHID AHMED (4230161765966) and Mr. FARAZ HUSSAIN (4220181569919) are high net worth individuals and marked as housewife and service respectively. However, the Respondent had not ascertained their source of income. Both these customers had been marked Low Risk and it appeared that no ongoing Enhanced Due Diligence had been performed.
- (vii) Regulation 9.15.2(ii) of the NCCPL Regulations requires that the Broker Clearing Member shall ensure that a particular mobile number and/or email address is not used for more than one UIN. However, it was observed in the case of the following customers of the Respondent that similar contact details/mobile number had been used for different customers. Thus, it appeared that the customer record had not been updated/corrected by the Respondent as required by the KYC/CDD Guidelines of PSX:

| Sub-Account | Title | Mobile Numbers with Summary |
|-------------|-----------------------------|-----------------------------|
| 17806 | Ms. AYESHA MUHAMMAD | 3002017842 |
| 17814 | EXCEL INSURANCE COMPANY LTD | 3002017842 |
| 17822 | Mr. GHULAM MUHAMMAD | 3002017842 |
| | 3002017842 Count | 3 |
| 16220 | Mr. MUHAMMAD NASIR | 3002341080 |
| 16691 | Mr. MUHAMMAD AYAZ-UL-HAQUE | 3002341080 |
| 17459 | Mrs. ASMA | 3002341080 |
| | 3002341080 Count | 3 |
| 18879 | Mr. SHAHPUR CHANNAH | 3002981764 |
| 18994 | Mrs. JAMELA HAMID CHANNAH | 3002981764 |
| 19026 | Mrs. LAILA CHANNAH | 3002981764 |
| | 3002981764 Count | 3 |
| 11148 | Mr. MUHAMMAD YOUNUS | 3008201204 |
| 11619 | DANISH YOUNUS | 3008201204 |
| 14761 | MUHAMMAD YOUNUS | 3008201204 |
| | 3008201204 Count | 3 |
| 1016 | Mr. MUHAMMAD ALI | 3008205677 |
| 2824 | Mr. MOHAMMAD JAVED (P) | 3008205677 |
| 5462 | Mrs. SAMREEN | 3008205677 |
| | 3008205677 Count | 3 |
| 12948 | IBRAHIM SHAMSI | 3008225892 |
| 14019 | Mrs. NAEEMA AFTAB | 3008225892 |
| 20974 | JOY LAND (PRIVATE) LIMITED | 3008225892 |
| | 3008225892 Count | 3 |

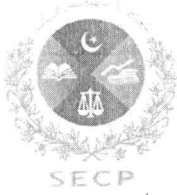




Securities and Exchange Commission of Pakistan
Securities Market Division

| | | |
|-------|--------------------------------|------------|
| 3699 | MEHMOOD TAWAB | 3008235495 |
| 3707 | KHALID TAWAB | 3008235495 |
| 12153 | F.RABBI STEEL (PVT) LIMITED | 3008235495 |
| | 3008235495 Count | 3 |
| 7955 | Mr. PARVEZ ADMANI | 3008237108 |
| 12427 | Mrs. AMBREEN ADMANI | 3008237108 |
| 14472 | MUHAMMAD SHAYAN ADMANI | 3008237108 |
| | 3008237108 Count | 3 |
| 5314 | Mr. SHAKIR | 3008237771 |
| 14084 | ABU BAKKAR | 3008237771 |
| 21949 | Mr. ASIF | 3008237771 |
| | 3008237771 Count | 3 |
| 11080 | Mr. GHULAM MUHAMMAD | 3009265986 |
| 16402 | Mr. FAREED | 3009265986 |
| 16428 | Mr. MUHAMMAD YOUSUF | 3009265986 |
| | 3009265986 Count | 3 |
| 9472 | Mr. GHULAM MOHAMMAD EDENWALA | 3018232410 |
| 10199 | Mr. MOHAMMAD HAROON NUR REHMAN | 3018232410 |
| 18325 | Mr. MOHAMMAD HAROON NUR REHMAN | 3018232410 |
| | 3018232410 Count | 3 |
| 22277 | Mr. MUHAMMAD SIRAJ | 3122758439 |
| 27375 | Mr. IMRAN | 3122758439 |
| 27573 | Mr. MUHAMMAD SIRAJ | 3122758439 |
| | 3122758439 Count | 3 |
| 11098 | Mrs. NASIMA | 3152365676 |
| 20651 | Mrs. ERUM RIAZ | 3152365676 |
| 20669 | Mrs. NASIMA | 3152365676 |
| | 3152365676 Count | 3 |
| 15214 | IBRAHIM PATEL | 3212855364 |
| 16238 | Mr. SHAKEEL AHMED | 3212855364 |
| 16832 | Mr. GUJA YUSUF ADAM PATEL | 3212855364 |
| | 3212855364 Count | 3 |
| 17137 | Mr. MUHAMMAD ASIF | 3222668948 |
| 17145 | Mr. MUHAMMAD HAMID MEMON | 3222668948 |
| 18226 | Ms. MARIA HAMID | 3222668948 |
| | 3222668948 Count | 3 |
| 6619 | Mr. NAVEED ALI MANGHI | 3332266077 |
| 11742 | NAVEED ALI MANGHI | 3332266077 |
| 16683 | Mrs. MEHNAZ NAVEED | 3332266077 |
| | 3332266077 Count | 3 |
| 12120 | SYED WADOODUL HASNAIN | 3332395886 |
| 17798 | Mr. SALIK AL TURABI | 3332395886 |

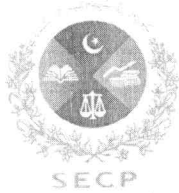




Securities and Exchange Commission of Pakistan
Securities Market Division

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|-------|--|------------|
| 18101 | Mr. MUHAMMAD AZHAR | 3332395886 |
| | 3332395886 Count | 3 |
| 12229 | ZAHEER AHMED | 3337131664 |
| 13904 | ZAHEER AHMED | 3337131664 |
| 18184 | Mr. ARSALAN ARIF | 3337131664 |
| | 3337131664 Count | 3 |
| 8086 | Mr. ABDUL KARIM AHMED | 3002150169 |
| 14803 | ABDUL KARIM AHMED | 3002150169 |
| 15693 | NOOR MUHAMMAD | 3002150169 |
| 16964 | Mr. TALHA MUNAF | 3002150169 |
| | 3002150169 Count | 4 |
| 21618 | Mrs. NADIA OSMAN JUNG | 3002339262 |
| 21626 | Mrs. NASIMA BANO | 3002339262 |
| 21634 | Mr. MUHAMMAD OSMAN ULLAH JUNG | 3002339262 |
| 21709 | Mr. SHER NAWAZ KHAN | 3002339262 |
| | 3002339262 Count | 4 |
| 19075 | Mr. MIRZA OMAIR BAIG | 3126666699 |
| 24513 | Mr. MIRZA OMAIR BAIG | 3126666699 |
| 24521 | Mr. MIRZA OMAIR BAIG | 3126666699 |
| 27144 | Mr. MIRZA OMAIR BAIG | 3126666699 |
| | 3126666699 Count | 4 |
| 5561 | Mr. AZNEEM BILWANI (P) | 3218227577 |
| 8250 | Mr. AZNEEM BILWANI (P) | 3218227577 |
| 15396 | AZNEEM BILWANI | 3218227577 |
| 30247 | AB HOLDINGS LIMITED | 3218227577 |
| | 3218227577 Count | 4 |
| 12864 | Mrs. RASHIDA YOUSUF PASHA | 3232451955 |
| 15172 | Mrs. HALEEMA | 3232451955 |
| 16006 | NADEEM | 3232451955 |
| 23341 | Mrs. HALEEMA | 3232451955 |
| | 3232451955 Count | 4 |
| 15941 | ZAHID HALEEM SHEIKH | 3008220707 |
| 15958 | MUHAMMAD SHAFI TANNERIES (PVT) LIMITED | 3008220707 |
| 15966 | EVERFRESH FARMS (PVT) LIMITED | 3008220707 |
| 16063 | Mrs. AYESHA ZAHID | 3008220707 |
| 17848 | ROHTAS CAPITAL (PRIVATE) LIMITED | 3008220707 |
| 18754 | INDUS BASIN CAPITAL (PRIVATE) LIMITED | 3008220707 |
| 22483 | SHAFI FOODS (PRIVATE) LIMITED | 3008220707 |
| | 3008220707 Count | 7 |
| 13763 | STANDARD SHIPPING PAKISTAN (PVT) LIMITED | 3008232116 |
| 14613 | SAEED AKHTER | 3008232116 |





Securities and Exchange Commission of Pakistan
Securities Market Division

| | | |
|-------|-------------------------|------------|
| 17152 | CUSP PAKISTAN LIMITED | 3008232116 |
| 17988 | Mrs. SAMIA ROOMI | 3008232116 |
| 18408 | Mrs. SAMIA ROOMI | 3008232116 |
| 19174 | BYCO PK LIMITED | 3008232116 |
| 23028 | Mrs. ASKARA ABBASI | 3008232116 |
| | 3008232116 Count | 7 |

(viii) It was observed that the Respondent had not conducted proper customer risk categorization as required under the KYC/CDD Guidelines of PSX based on customer's identity, nature of income, source of funding, location/domicile of customer, and nature and intent of customer investment. For instance, the following online customers of the Respondent had been marked as Low Risk whereas the KYC/CDD Guidelines of PSX require the same to be marked as High Risk:

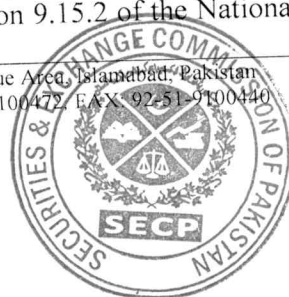
- TARIQ SIDDIQ PARACHA-Low
- MUHAMMAD ABDUS SAMAD- Low
- UNIT TRUST OF PAKISTAN- Low
- AFC UMBRELLA FUND- Low

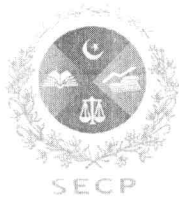
The customer namely "HUMA MUJAHID AHMED" is a housewife however the Respondent had apparently not applied Enhance Due Diligence based on the incomplete profile. Further, the following corporate customers of the Respondent had also been marked as Low Risk in contravention to the KYC/CDD Guidelines of PSX:

| S. No | Name of clients | Risk categorized by Respondent | As per guideline |
|-------|---|--------------------------------|------------------|
| 1 | CLSA LIMITED-IBD | Low Risk | High |
| 2 | GOLDMAN SACHS INVESTMENTS (MAURITIUS) LIMITED | Low Risk | High |
| 3 | RENAISSANCE SECURITIES (CYPRUS) LIMITED-IBD | Low Risk | High |

- The KYC/CDD Guidelines of PSX require that there has to be on-going training of brokers, their employees and agents to ensure that they understand their duties under KYC/CDD and are able to perform those duties satisfactorily. The Respondent had informed the inspection team vide email dated November 06, 2017 that its employees had attended trainings organized by the Respondent and its CFO/Company Secretary conducted these trainings/workshops on the subject of KYC/CDD during period July 2016 till date.
- As per the organogram submitted by the Respondent, Manager Compliance reports to the Chief Financial Officer. However, as per KYC/CDD Guidelines of PSX, the Compliance Officer should be independent and shall report to the Board of Directors.
- In view of absence of customer identification, improper risk assessment and categorization of clients, absence of enhanced due diligence, absence of ongoing due diligence, it appeared that the Respondent did not have adequate checks and controls to monitor and remain alert regarding suspicious transactions.

3. It appeared from the foregoing that the Respondent *prima facie* acted in violation of section 74(b) of the Securities Act, regulations 16(1)(k), 16(1)(o) and 16(8) of the Brokers Regulations, Circular No. 10 of 2017 dated April 21, 2017 issued by the Commission, regulation 4.17 of the PSX Regulations, regulation 9.15.2 of the National Clearing Company





Securities and Exchange Commission of Pakistan
Securities Market Division

of Pakistan Regulations and the Know Your Customer & Customer Due Diligence Guidelines issued by PSX on March 16, 2012.

4. The Commission took cognizance of the aforementioned alleged violations and served the SCN dated September 10, 2018 under section 150 of the Securities Act to the Respondent. The Respondent was called upon to Show Cause in writing within seven days from the date of receipt of the SCN and the case was scheduled for hearing before the undersigned on September 25, 2018. The Respondent filed written reply to the SCN vide letter of September 27, 2018. Hearing in the matter was rescheduled and held on October 02, 2018.

5. The submissions made by the Respondent in response of the SCN and verbally during the course of hearing are summarized as under:

(i) *It is not correct that KYC/CDD Policy of the Respondent is not comprehensive and does not elaborate the aspects mentioned in paras a., b., c. and d. of Para 4(i) of the SCN. With regard to the instances cited in sub-paras a. to d., the Respondent's submissions are as follows:-*

a. *Identity of Customers: The Respondent is reproducing the relevant portion of Para 6 of the Respondent's Policy, as follows:-*

Quote:

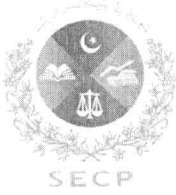
It is a Policy of IMS that:

- *Prior to establishing a relationship with a new customer, basic background information about the customer should be obtained, in particular, information related with customer's business and source/utilization of funds.*
- *Prior to establishing relationships with financial institutions or agents, appropriate steps must be taken to confirm the identity, integrity and due diligence procedures of those representatives or agents and, where necessary, the identities of underlying clients.*
- *The underlying beneficial ownership of all companies and other legal entities with whom IMS conduct business must be established, including the beneficial ownership of all finds or other properties that are handled by the IMS.*
- *All new relationships should be filtered through automated solution for possible name matching with individuals / entities appearing on various negative lists maintained by IMS. In case of exact match, relationship should be discontinued.*
- *IMS shall reject the account opening application in case the applicants name is found in OFACS (Office of Foreign Asset Control) specially designated persons or blocked person list maintained by the U.S department of the Treasury (www.treasury.gov)*

Know your customer

The inadequacy or absence of KYC standards can subject IMS's to serious customer and counterparty risks, especially reputational, operational, Legal and concentration risks. It is worth noting that all these risks are interrelated. However, any one of them can result in significant financial cost to IMS, along with considerable management time and energy to resolving problems that arise. Effectively devised KYC policy is the most important defense against the money launderers. While fulfilling legal requirements, the contents of





Securities and Exchange Commission of Pakistan
Securities Market Division

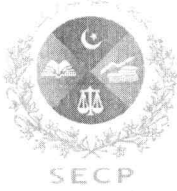
regulatory requirements should be kept in view before establishing a customer/account opening relationship.

Unquote:

The Respondent's Policy does not allow opening of any account without physical appearance. List of Online accounts provided are accounts opened after physical appearance and are entitled to operate through Internet Base Trading system/platform (IBTS) hence doesn't fall under point # 4.1 (viii) headed as "Risk Assessment" under KYC/CDD Guidelines vide notice # KSE/N-1388 which categorize on-line customers as non-face-to-face customer. Furthermore, the procedures outlined in Para 6 of the Respondent's Policy meets all other requirements of KYC/CDD Guidelines. It is not necessary that the Respondent's policy must copy the entire KYC/CDD Guidelines. Reference to the KYC/CDD Guidelines has been given in various Paras of the Respondent's Policy. Therefore, the Respondent's Policy is deemed to be in consonance with the KYC/CDD Guidelines. Please also see the Respondent's Comments on this subject.

- b. *Risk Assessment: Para 5 of the Respondent's Policy covers all possible types of risks with specific reference to the KYC/CDD Guidelines. The risk assessment and categorization of customers are done on the basis of their identity, nature of income source of funds and their location. If during KYC, for example if a PEP is opening his account online, then automatically the account is marked as High Risk. Therefore, proper KYC & CDD is implemented. No accounts can be opened at the Respondent without proper categorization and risk assessment of clients which include all of their credentials in the Account Opening Form (KYC Form is part of account opening form). Please also see the Respondent's Comments on this subject.*
 - c. *Ongoing Due Diligence: Para 6 of the Respondent's Policy categorically provides for due diligence. Para 8 headed as "Monitoring & Reporting" is an ongoing due diligence process of clients in respect of unusual transactions which are inconsistent with customers business and/or doesn't make economic sense. Furthermore, Para 7(d) of the Respondent's Policy specifically provides for Enhanced Due Diligence ("EDD"). It is implied that there is constant ongoing due diligence and as a result thereof, EDD become necessary at any stage, the Respondent conducts EDD. Please note that it is not a requirement that the Respondent's Policy must be a copy of KYC/CDD Guidelines. Reference of the KYC/CDD Guidelines has been given in various Paras of the Respondent's Policy.*
 - d. *Online Customers are not included high risk category: the Respondent's Policy does not allow to open any account without physical appearance. List of Online accounts provided are accounts opened after physical appearance and are entitled to operate through Internet Base Trading system/platform (IBTS) hence doesn't fall under point # 4.1 (viii) headed as "Risk Assessment" under KYC/CDD Guidelines vide notice # KSE/N-1388 which categorize on-line customers as non-face-to-face customer.*
- (ii) *As mentioned in the Comment, the Commission's Circular No.10 of 2017 dated April 21,2017 states "net traded amount (i.e. value bought-value sold)" which is presumed as every single buying and/or selling and vice versa should be taken into account irrespective of trade showing only sale or buy. It was the Respondent's bonafide*



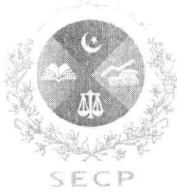


Securities and Exchange Commission of Pakistan
Securities Market Division

understanding of law as was drafted. However, in deference to the Findings of the Inspection Team, it has cleared understanding that negative amounts are not to be taken and accordingly the Respondent is now accounting for the same in future with respect to the Respondent reports on AML. At any rate, it is not correct that KYC/CDD Policy of the Respondent is not comprehensive. Please also see the Respondent's Comments on this subject.

- (iii) *As mentioned in the Comments, the Respondent has marked the status "Not Applicable" because the same was lying with the Respondent's Account Opening Department for initiation of EDD and the Respondent's Compliance and Customer Support Departments have already be forwarded with these details to update the Compliance Officer with respect to the revised status of these High Risk clients.*
- (iv) *As mentioned in the Comments, the Respondent submitted revised calculation with the Comments. The same is also furnished. On the other hand, it is the Respondent's bonafide understanding that that MF Buy & Sell value should be excluded while computing Net Value Traded to avoid duplication as MF Buy & Sell has already been covered in Regular Buy & Sell Trades.*
- (v) *All of the regulations including specific reference of Clause 3.6 of the KYC/CDD Guidelines are part of the Respondent's Policy and has been effectively implemented and complied with on regular basis. In our Comments, the Respondent had explained its view points on the alleged deficiencies, highlighted in the Letter of Findings. The same is reproduced as follows:-*
- a. *Mr. Muhammad Faisal Vawda is the ultimate beneficiary of the fund to be invested, erroneously been marked at "No" rather than "Yes". Tax return of customer was furnished to the inspection team.*
- b. *Proof of income of Ms. Huma Mujahid Ahmed was submitted with Comments which is an undertaking provided by the customer. Respondent stated during the hearing that it is in the process of obtaining relevant information from the said customer.*
- (vi) *While the Respondent has provided proof of source of income of Ms. Huma Mujahid, proof of source of the funds of Faraz Hussain is furnished which is directorship in a company. Please note that risk profiling of Ms. Huma Mujahid and Faraz Husain have been properly done.*
- (vii) *As to the similar mobile numbers for different clients being used, the Respondent would like to apprise the Commission that the Respondent is in close co-ordination with CDC/NCCPL for correction of these duplications of numbers of different clients and the Respondent had submitted its detailed working in respect of the same with CDC and NCCPL. The Respondent is on the same and have already intimated clients that their accounts will be blocked by CDC if they do not get their mobile numbers changed for different accounts. The Respondent has already closed down some of such accounts. Please also note that in companies, mutual funds and business groups and families, there is a common tenancy to nominate one contact person whose cell phone is given for contact purposes, which is not in violation of Law.*
- (viii) *As mentioned above and on the Comments, the Respondent's AML policy does not allow opening of any account without physical appearance. List of Online accounts provided are accounts opened after physical appearance and are entitled to operate through Internet Base Trading system/platform (IBTS) hence does not fall under Point # 4.1 (viii) headed as "Risk Assessment" under KYC/CDD Guidelines vide Notice # KSE/N-1388 which categorize online customers as non-face-to-face*

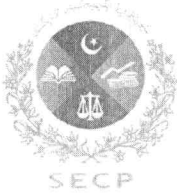




Securities and Exchange Commission of Pakistan
Securities Market Division

- customer. Certain list down corporate entities marked as "low-risk" are based on their nature of being CCM Marked Accounts, as these accounts are managed in terms of settlement of custody and payment directly through their custodian Banks and the Respondent neither hold their custody/CDC nor any financial transaction is made directly with client. Therefore, the Respondent has marked them as low risk clients.
- (ix) The Respondent believes that the employee training is the substantial part for a company to be compliant in respect of any particular regulation. The Respondent has a training material developed and has a qualified Chartered Accountant as its Director Investment Banking, who has a very in depth knowledge of AML/KYC/CDD Regulations and a practical exposure during his training with PWC on the same. Furthermore, the Respondent conduct training as an on-going exercise when any new regulations are in place with respect to AML and when a new batch of employees is hired. Moreover, the KYC/CDD Guidelines do not require any certified courses and therefore there cannot be any evidence. The Respondent believes that it is completely compliant with respect to the on-going training part.
- (x) The Compliance Officer is directly reportable and responsible to Board and the Board Audit Committee. The Compliance Officer also attends every Audit Committee meetings and present and discuss his area of concerns with the Board and without presence of management. Therefore, it is not correct that the compliance officer reports to the CEO. Administratively and only for day to day affairs, the Compliance Officer reports to the CEO. In managing day to day affairs, the CEO is the highest authority and to give compliance officer full authority he is given access directly to CEO office and Audit Committee members directly. The Board cannot meet daily to deliberate upon day to day affairs, which falls in the realm of the CEO. Such an arrangement is also in conformity with the requirements of the Code of Corporate Governance for Listed Companies, whereby the Internal Auditor Reports administratively to the CEO, whereas the Internal Auditor is reportable to the Board of Director. Therefore, the Respondent honestly believes that there is no violation, since the Compliance Officer cannot report to the Board on day to day affairs. However, the day to day matters pertaining to compliance are eventually placed before the Board at board meetings, along with detailed report of the Compliance Officer.
- (xi) The Respondent does not agree with this observation. The Respondent's Comments to the preceding observations and the evidence provided substantiate the fact beyond doubt that the Respondent has more than satisfactory customer identification risk assessment and categorization of client in addition to Enhanced Due Diligence, on-going due diligence, training and adequate checks and controls. This observation is most surprising since the Respondent always accords top priority to the above requirements not only to comply with the laws, rules and regulations, but also as a matter of its own policy and commitment to conduct its affairs in accordance with the highest legal and ethical standards. If the Commission believes that the above criteria are lacking, it may specifically point out the same with regard to each case so that we may clarify the position or dispel any doubts. As mentioned above, the Respondent has developed a system via which now all clients according to their nature/limit (in relation with Circular 10 of the Commission) are reflected by just a click of a button and the risk category is changed accordingly. No accounts can be opened at the Respondent without proper categorization and risk assessment of clients which





Securities and Exchange Commission of Pakistan
Securities Market Division

include all of their credentials in the Account Opening Form (KYC Form is part of account opening form).

(xii) If there has been any technical oversight, the same may kindly be condoned in the interest of justice.

6. I have heard the arguments presented by Representative of the Respondent during the hearing. Additionally, I have perused the available record, existing regulatory framework and written response filed by the Respondent. The primary allegation against the Respondent is that it acted in non-compliance with provisions of the relevant laws mentioned in para 3 above.

7. In order to arrive at a decision, it is essential to consider that:

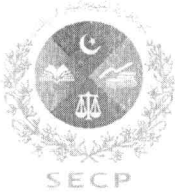
- (i) Respondent stated that any lapses relating to calculations made under Circular 10 of 2017 have been rectified and the record maintained under the same is now in accordance with the law;
- (ii) Respondent stated that it is still in the process of obtaining relevant information, as detailed in the SCN, from Ms. Huma Mujahid which exhibits that it did not have such information earlier. Furthermore, an undertaking from a customer is not sufficient for establishing source of income. Further, the Respondent did not furnish any evidence of declaration of assets made by the customer or her KYC form; and
- (iii) Respondent has accepted that certain cell numbers were being used against multiple accounts and now it is in the process of correcting these duplications.

8. Before arriving at a decision, it is pertinent to mention that regulatory requirements relating to KYC/CDD and AML have been implemented since the year 2012 considering the public interest, integrity of the Pakistani capital market and the country's international commitments. Hence, all licensed persons are expected to ensure strict compliance with this regime by remaining vigilant and putting in place requisite policies and procedures to curtail activities relating to money laundering and financing of terrorism. The Commission has adopted a zero tolerance policy towards any gaps in this area and will not show any leniency for non-compliances in future.

9. Based on the above and the fact that the Respondent has accepted certain non-compliances in its response and during the course of the hearing, which shall be rectified, I have reasons to conclude that it is established that the Respondent was guilty of misconduct in terms of section 150(5) of the Securities Act, as the Respondent is non-compliant with provisions of relevant laws mentioned in para 3 above.

10. In view of the foregoing, violations of the regulatory framework committed by the Respondent are established. However, it was observed based on the response and during the course of the hearing that the Respondent did not have complete understanding of the regulatory framework. While ignorance of law is not an excuse as the regulatory framework has been in effect since the year 2012, since the thematic review of the Respondent for AML, KYC and CDD has been carried out for the first time, I have decided to take a lenient view. Considering the same, no monetary penalty is being imposed, however, the Respondent is strictly warned to ensure compliance with the relevant legal framework.





**Securities and Exchange Commission of Pakistan
Securities Market Division**

11. Furthermore, the Commission will carry out a follow-up review within due course of time to assess whether the aforementioned violations have been rectified by the Respondent and in case of continued non-compliance, the Commission shall adopt a stringent course of action.

12. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.


(**Shaukat Hussain**)
Commissioner



Announced on October 29, 2018
Islamabad.