

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

In the matter of Show Cause Notice issued to M/s. Maniar Financials (Private) Limited

Date of Hearing

July 15, 2020

Order-Redacted Version

Order dated July 20, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Maniar Financials (Private) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 27, 2020
2. Name of Company	Maniar Financials (Private) Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Maniar Financials (Private) Limited
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for the violations of Regulation 4(a) read with Regulation 13(7), Regulation 6(3)(a), 6(3)(c), 6(4), 9(4), 13(1) 13(3) and Regulation 6(4) of the AML Regulations read with Annexure I(i) 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. In this regard, I observe that:</p> <ul style="list-style-type: none">i. With regard to the deficiencies in the screening mechanism against proscribed persons/ entities, the Respondent during the hearing provided that they were manually performing the screening of its clients and did not acquire any software for the purpose. During the hearing, the Representatives of the Respondent also provided that they had not implemented an automated process for screening of its clients, their associated individuals for screening against the list of proscribed persons/ entities. The Respondent also failed to produce any evidence of manual screening procedure for its clients or any database with respect to its clients and their associated individuals which include ultimate beneficial owners, Trustees, Directors, Shareholders/ partners & Authorized persons. Moreover, it is also pertinent to mention here that the Respondent has around 1,740 clients. Therefore, practically



Securities and Exchange Commission of Pakistan

Adjudication Division Adjudication Department-I

	<p>impossible for the Respondent to screen its customers manually in UNSC and NACTA lists on regular basis in absence of such database. Hence, the Respondent had failed to demonstrate any effective mechanism for the screening of its clients or their associated/ related persons and is therefore, found in contravention of Regulation 4(a) read with Regulation 13(7) of the AML Regulations.</p> <p>ii. With regard to the observation regarding the Verisys of its clients, the Respondent was of the view that the client's details are provided to NCCPL during the time of account opening and are verified through NADRA when NCCPL opens the account. The viewpoint of the Respondent in this regard, is not tenable since the Regulations are applicable on the Respondent and it is the responsibility of the Respondent to perform Verisys for its clients, joint account holders, their nominees and authorized persons. However, the Respondent has failed to produce any evidence regarding the procedure in place to conduct Verisys through its self or through a 3rd party. In absence of any such mechanism for verification of identity documents, the Respondent is found in contravention of Regulation 6(4) of the AML Regulations read with Annexure I(i) of the AML Regulations.</p> <p>iii. With regard to the observations regarding deficiencies in Customer Due Diligence ("CDD") and Enhanced Due Diligence ("EDD") of its clients, the Respondent had submitted copies of documents obtained with respect to its clients. However, the documents were found to be deficient to identify the source of income/ funds/ identification of beneficial ownership. In instances where the clients were either household of students, the Respondent had failed to identify the ultimate beneficial owner and their source of income. In this regard, no such documents such as tax returns, wealth statements or bank statements were produced which could identify the source of funds being used in these accounts. Further, in the matter of its high-risk client identified as a household, Respondent provided that the client is a director in a company and provided only a copy of service card which was apparently arranged subsequent to the inspection. The AML Regulations called for Enhanced Due Diligence measures to be taken in respect of high risk clients and wherein appropriate source of funds/ evidence of income should be arranged. Furthermore, in instances where clients were identified as in service, the Respondent had only obtained copies of service cards which does not justify the merits of the AML Regulations as appropriate Customer Due Diligence. The Respondent during the hearing also provided that they have a long-standing relationship with some clients and are known to them personally. Apparently, a lack of misunderstanding was observed on part of the Respondent regarding the understanding of AML Regulations and its requirements regarding CDD/EDD. The requirements of AML Regulations are applicable across the board for</p>
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Securities and Exchange Commission of Pakistan
Adjudication Division
Adjudication Department-I

	<p>all its existing and new customers wherein such information regarding source of income/ funds should be arranged to ensure that the transactions are consistent with the Regulated persons' knowledge of the customer, its business and risk profile and source of funds. The Respondent's comprehension is pertinent to ascertain appropriate source of funds for the client such as through tax returns, salary slips, company's financial statements or business income etc. Such information should be used for on-going monitoring of its clients and to identify any instances where mismatch may occur. The Respondent had failed to demonstrate any procedure in relation to the on-going monitoring of its clients as per their risk profiles. In view of the said instances, the Respondent was found non-compliant with 6(3)(a), 6(3)(c), 6(4), 9(4), 13(1) & 13(3) of the AML Regulations.</p> <p>In view of the foregoing and admission made by the Respondent and 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. 650,000/- (Rupees Six hundred and fifty thousand Only) is hereby imposed on the Respondent.</p> <p>Furthermore, the Respondent is advised to:</p> <ol style="list-style-type: none">1. To complete screening of its clients and their associated individuals which include ultimate beneficial owners, Trustees, Directors, Shareholders/ partners & authorized persons clients and joint account holders within 30 days of date this Order.2. To acquire a biometric CNIC validation system to comply with (he requirements of the regulation within 2 months of the date of this Order. <p>The timely compliance of the aforesaid directions be duly reported the Broker Compliance Department of the Commission.</p> <p>Penalty order dated July 20, 2020 was passed by Executive Director (Adjudication-I).</p>
3. Penalty Imposed	A penalty of Rs. 650,000/- (Rupees six hundred and fifty thousand only) was imposed on the Company.
4. Current Status of Order	An appeal has been filed against this Order.

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