

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

In the matter of Show Cause Notice issued to M/s. Market 786 (Pvt) Limited

Date of Hearing

December 24, 2019

Order-Redacted Version

Order dated January 03, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Market 786 (Pvt) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show Cause notice dated December 16, 2019
2. Name of Company	Market 786 (Pvt) Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Market 786 (Pvt) Limited
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for violations of inter-alia Regulation 4(a), 6(4), 6(8), 9(4)(b), 13(3), 13(7) and 11(2) 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> <ul style="list-style-type: none">i. The Respondent has failed to submit any evidence to confirm that the Respondent had validated the identity documents of its eighteen highlighted customers through NADRA Verisys required under Regulation 6(4) of AML regulations. Further, Authorized Representative submitted that subsequent to introduction of Centralized KYC Organization (CKO) regulatory framework accounts are only being opened by Respondent after biometric verification of the customers.ii. The Respondent has failed to furnish any evidence of recording justification for categorizing sixteen highlighted customers as low risk and also admitted the default in respect of regulation 11(2) during the hearing. Authorized Representatives submitted that Respondent will



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	<p>record the justifications for categorizing customers as low risk and will ensure compliance in future.</p> <p>iii. Respondent admitted that automated process deployed for customer screening can only search in the list available on NACTA website and is not capable of fetching data from Portable Document Format (PDF) SROs available on NACTA website. Furthermore, the Respondent could not provide evidence in support of its' claim that manual screening was being conducted in respect of such SROs in PDF format available on NACTA website. Hence, the Respondent was in violation of Regulation 4(a) of AML Act.</p> <p>iv. Respondent confessed that its back-office system does not have provision to maintain name, CNIC and other details of directors, shareholders, trustees and partners etc. related to its clients, consequently Respondent could not have screened these names in the entities and individuals covered in sub-regulation 5a or regulation 6 at the time of establishment of relationship and continuing relationship with such customers. Authorized Representatives also submitted that Respondent has requested its software vendor to develop the required functionality in its back-office system. Therefore, Respondent was in violation of Regulation 13(7).</p> <p>v. In instance identified by Inspection with respect to the violation of Regulation 9(4)(b). Respondent provided copy of a certificate dated June 13, 2016 issued by Dubai Islamic Bank confirming depositing of AED 584,343/- through a Cheque of First Gulf Bank, UAE. However, the said document cannot serve as adequate proof of source of wealth/funds rather the same shows channel of funds movement. Therefore, Respondent has not obtained source of wealth/funds in the particular instance.</p> <p>vi. In respect of violations of Regulation 6(8) and 13(3), the Authorized Representatives admitted the non-compliances and submitted that identified default was due to lack of understanding at the end of the Respondent. Authorized Representatives further submitted that previous practice has been discontinued and revised the mechanism has been adopted by the Respondent to ensure compliance with the requirements of the Regulations.</p> <p>I have noted that the Respondent has taken remedial measures on defaults identified during the Inspection. Moreover, Respondents did not engage themselves in undue contest of the SCN.</p>
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	<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. 300,000/- (Rupees three hundred thousand only) is hereby imposed on the Respondent. The Respondent is advised to examine its AML/CFT policy and procedures to ensure that the requirements contained in the AML regulations are met in letter and spirit.</p> <p>Penalty order dated January 03, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 300,000/- (Rupees three hundred thousand) was imposed on the Company.
7. Current Status of Order	No appeal was filed.

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