



Securities and Exchange Commission of Pakistan
Specialized Companies Division
Policy, Regulation and Development Department
(Modaraba Wing)

No. SCD/ADJ/MAM/62/2019/ 323
December 17, 2019


Modaraba Al-Mali (MAM),
Through its Chief Executive Officer,
10th Floor, Progressive Square,
Sharah-e-Faisal,
Karachi.

Subject: Order under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997

Dear Sir,

Enclosed is a copy of the order dated December 17, 2019, passed in the subject matter by the Registrar Modaraba, for your information and compliance.

Regards,


Tauqeer Ahmad Sipra
Management Executive



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT
(MODARABA WING)

Before Ms. Bushra Aslam, Executive Director/Registrar Modaraba
In the matter of
Modaraba Al-Mali

Number and Date of Notice: SCD/ADJ/MAM/62/2019-92 dated November 29, 2019

Date of Hearing: December 16, 2019

Present for Respondent: Mr. Rashid Mateen Khan – Company Secretary

ORDER

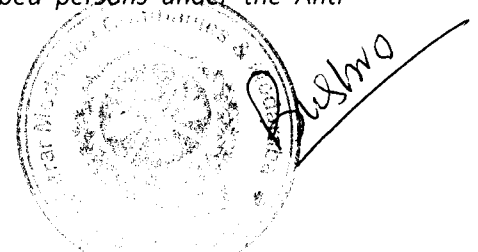
Under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997

This Order shall dispose of the proceedings initiated against Modaraba Al-Mali (the “Modaraba”) through show cause notice dated November 29, 2019 (the “Notice”) issued under the provisions of Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the “Act”) for violation of S.R.O.245(1)/2019 dated February 22, 2019.

2. Brief facts of the case are that Securities and Exchange Commission of Pakistan (the “Commission”) has notified the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the “AML Regulations”) vide SRO 770(I)/2018 dated June 13, 2018, which require all Regulated Persons to conduct self-risk assessment, have appropriate mechanisms to provide the risk assessment information to the Commission, and ensure implementation of targeted financial sanctions under the United Nations Security Council Resolutions, adopted by the Government of Pakistan, and refrain from forming business relationship with proscribed persons and entities under the Anti Terrorism Act, 1997(XXVII of 1997) and related matters. The term Regulated Person has been defined in the Regulations as “regulated person” for the purposes of these regulations means “securities brokers, futures brokers, Insurers, Takaful Operators, NBFCs and Modarabas”. Further, the Regulated Persons through S.R.O. 245 (I)/2019 dated February 22, 2019 (the “SRO”) are also directed to comply with the reporting requirements and submit information in the manner prescribed to the respective supervisory departments of the Commission, in consonance with the requirements of the AML Regulations and Guidelines.

3. Furthermore, Para iii of S.R.O. 245(1)/2019 requires the regulated persons to comply with the following:

“Compliance report on statutory regulatory orders issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions and intimation from National Counter Terrorism Authority/Ministry of Interior regarding updates in list of proscribed persons under the Anti





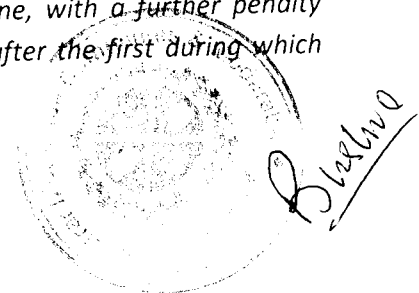
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
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(MODARABA WING)

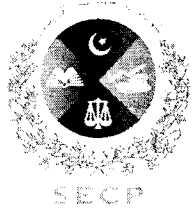
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Terrorism Act, 1997, shall be submitted within three day of receiving the same, through email to aml.dept@secp.gov.pk by authorized officer of the Regulated Person."

4. In order to facilitate the submission of the above referred compliance reports by the regulated persons, the Commission has automated the reporting mechanism for its regulated entities. During our review of the compliance status of the regulated persons with the aforesaid requirement of the SRO, it was noted that the Modaraba did not submit any compliance reports for the SROs/intimations during the period August 1, 2019 to October 28, 2019. Further, no compliance reports were received via email.
5. Consequently, the Notice dated November 29, 2019 under Section 40A of the Act was served to the Modaraba through its Chief Executive Officer ("CEO") as to why penalty may not be imposed on the Modaraba Company and its chief executive in breach of the SRO. The Modaraba was also provided an opportunity of hearing if the Modaraba intends to appear before the undersigned to clarify its position.
6. The Modaraba vide its letter dated December 5, 2019 responded to the above-mentioned Notice and submitted that the Modaraba has been submitting the information since inception on regular basis through emails within the prescribed time period. However, due to change in the mechanism for submission from email to online, we faced issues with regards accessing the online system. However, subsequently, we were able to access the system and submitted the information for the period August 1, 2019 to October 28, 2019 on November 12, 2019. The Modaraba further submitted that it was merely due to technical glitch, as new system was introduced and requested to condone the delay for the first time. The CEO of the Modaraba also submitted consent for hearing through video link and authorized Mr. Rashid Matin Khan, Company Secretary to appear before the undersigned.
7. Hearing in the matter was held on December 16, 2019. Mr. Rashid Matin Khan, Company Secretary appeared before the undersigned and argued the case. During the course of hearing Mr. Rashid reiterated the same arguments as were already submitted by the Modaraba that it was merely due to technical glitch, as new system was introduced and requested to condone the delay for the first time. He also stated NIL statements have been submitted online on November 12, 2019.
8. Before proceeding to decide the case, I deem it necessary to advert to the following relevant provisions of the SRO, under which the Notice was served on to the Company:

"any person to whom this directive applies and who contravenes or fails to comply with the requirements of this directive or submits a return which is false in material respect or where under a misstatement is made shall be liable to imposition of penalty under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), which may extend to ten million rupees and where such contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues."





SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
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9. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, representations made by the respondent in its written response to the Notice and arguments advanced at the time of hearing. In view of the fact that the default has been removed and assurance for future compliance of law has been committed, I am inclined to take a lenient view and do not imposed any fine on the Modaraba Company. However, the Modaraba Company is warned to remain careful in future and ensure meticulous compliance with all applicable provisions of the law in future.

A handwritten signature in black ink, reading 'Bushra', is written over a horizontal line.

Bushra Aslam
Executive Director/Registrar Modaraba

Announced
December 17, 2019
Islamabad.

