

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

In the matter of Show Cause Notice issued to Next Capital Securities Limited

Date of Hearing	July 23, 2020
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Order-Redacted Version

Order dated December 24, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Next Capital Securities Limited. Relevant details are given as hereunder:

Nature	Details				
<ul style="list-style-type: none">Date of Action	Show Cause notice dated May 20, 2020.				
<ul style="list-style-type: none">Name of Company	Next Capital Securities Limited.				
<ul style="list-style-type: none">Name of Individual	The proceedings were initiated against the Company i.e. Next Capital Securities Limited.				
<ul style="list-style-type: none">Nature of Offence	Proceedings under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the 'Act').				
<ul style="list-style-type: none">Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have carefully examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondents. I am of the considered view that the Respondents did not ensure their compliance with the mandatory provisions of the Regulations in the following instances:</p> <ul style="list-style-type: none">With regard to the, in response to the Commission's letter of findings dated February 10,2020 (LOF), the Respondent while submitting its comments on the two highlighted instances of violation of Regulation 6(3)(a) of the AML Regulations, stated that its relevant staff may inadvertently missed to record the fact(s). Furthermore, the Respondent claimed that subsequent to the Inspection the Respondent has obtained the required information relating to beneficial owners and same is provided in response to SCN. Therefore, the Respondent cannot refute the fact that it was in contravention of provisions of Regulation 6(3) (a) of the AML Regulations at the time of inspection.The Respondent could not submit the required information relating to source of income/funds of six highlighted clients, to inspection team in response to LOF, required to be maintained by Respondent under Regulation 6(3)(c) of the AML Regulations. Further, Respondent submitted as follows: <table border="1"><tr><td>Instance 1</td><td>The client is classified as low risk by NCL. Risk Assessment is attached for your reference.</td></tr><tr><td>Instance 2</td><td>The client is classified as low risk by NCL. KYC/CDD is attached.</td></tr></table>	Instance 1	The client is classified as low risk by NCL. Risk Assessment is attached for your reference.	Instance 2	The client is classified as low risk by NCL. KYC/CDD is attached.
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	<table border="1"> <tr> <td data-bbox="646 189 852 226">Instance 3</td> <td data-bbox="852 189 1432 327" rowspan="4">The relevant staff at that time may have inadvertently missed to record the fact.</td> </tr> <tr> <td data-bbox="646 226 852 264">Instance 4</td> </tr> <tr> <td data-bbox="646 264 852 302">Instance 5</td> </tr> <tr> <td data-bbox="646 302 852 327">Instance 6</td> </tr> </table>	Instance 3	The relevant staff at that time may have inadvertently missed to record the fact.	Instance 4	Instance 5	Instance 6
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Instance 6						
<p data-bbox="548 344 1416 840">During the hearing, the Respondent informed that subsequent to the Inspection the Respondent has acquired the requisite documents from the identified clients. Therefore, the contravention of provisions of Regulation 6(3)(c) of the AML Regulations at the time of inspection cannot be denied. Further, the Respondent's failure to furnish evidence in context of validation of CNICs in 20 identified instances, through NADRA Verisys, reflects violation of Regulation 6(4) of AML Regulations at the end of Respondent. Furthermore, in case of three highlighted corporate clients, the Respondent could not exhibit the required information at the time of inspection. However, in response to SCN the information has been furnished which depicts that Respondent has obtained the said information subsequent to the Inspection. Therefore, the Respondent was in contravention of Regulation 6(4) of the AML Regulations.</p> <ul data-bbox="695 898 1416 1848" style="list-style-type: none"> • With regard to violation of the Regulations 6(8) of the AML Regulations, failed to provide any response in its defense. However, in response to LOF, Respondent submitted that in three identified instances relevant staff of Respondent may have inadvertently missed to record the facts/information. Therefore, the violation of aforesaid Regulation is evident. • Respondent could not furnish any evidence to contend the violations of Regulation 4(a) and 13(7) of the AML Regulations in respect of requirement of ongoing monitoring/screening mechanism for its clients. Thus, provisions contained in Regulation 4(a) and 13(7) of the AML Regulations. • In view of the foregoing and admission made by the Representatives, contraventions of the provisions of Regulations 6(3)(a), 6(3)(c), 6(4), 6(8), 4(a) and 13(7) 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 fifty thousand) is hereby imposed on the Respondent. The Respondent is advised to examine its AML/CFT policy & procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit. 						

	Penalty Order dated December 24, 2020 was passed by Executive Director (Adjudication-I).
<ul style="list-style-type: none">• Penalty Imposed	Penalty of 650,000/- (<u>Rupees Six Hundred Fifty Thousand only</u>) was imposed.
<ul style="list-style-type: none">• Current Status of Order	No Appeal was filed against the Order.

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