

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

In the matter of Show Cause Notice issued to M/s. Rahat Securities Limited

Date of Hearing

June 18, 2020

Order-Redacted Version

Order dated July 29, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Rahat Securities Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 27, 2020
2. Name of Company	Rahat Securities Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Rahat Securities Limited
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for the violations of Regulation 13(1), 4(a), 13(7), 6(4) and 7(1)(b) 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 and its Authorized Representatives. In this regard, I observe that:</p> <ul style="list-style-type: none">i. The Respondent could not exhibit any post-inspection evidence substantiating presence of a functional mechanism or procedure to monitor business relationship with its clients on ongoing basis as required under Regulation 13(1) of the AML Regulations. In response to SCN, Respondent submitted undated copy of the Mechanism/Procedure for ongoing monitoring. Furthermore, the evidences/documents provided by the Respondent in respect to compliance are related to the period subsequent to inspection order of September 3, 2020.ii. With regard to violation of Regulation 4(a) and 13(7), the Respondent could not exhibit post-inspection evidence substantiating maintenance of a requisite complete database of beneficial owners, authorized



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Adjudication Department-I

	<p>person of its clients, enabling it to perform screening of individuals from the list of proscribed persons/designated individuals. The claim of Respondent that requisite database was being maintained in spreadsheets in excel format from at the time of inspection is not acceptable as in response to letter of finding the Respondent could only provide screening evidence to the extent of nominee.</p> <p>iii. The Authorized Representative admitted the default and informed that now NADRA Verysis System has been installed in the office of Respondent and subsequent to inspection it has complied with the provisions of Regulation 6(4) of the AML Regulations</p> <p>iv. During the hearing the Authorized Representatives admitted the default in respect of the Regulation 7(1)(b) of the AML Regulations and said that validating photocopies of identity documents through NADRA Verisys was not carried out due to non-availability of NADRA Verisys system. Authorized Representatives further informed that subsequent to the Inspection, and after the installation of NADRA Verisys system, Respondent has rectified the default.</p> <p>In view of the foregoing and admission made by the Representatives, contraventions of the provisions of AML Regulations 13(1), 4(a), 13(7), 6(4) and 7(1)(b) 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) 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.</p> <p>Penalty order dated July 29, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 300,000/- (Rupees three hundred thousand only) was imposed on the Company.
7. Current Status of Order	An appeal has been filed against this Order.

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