

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

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

Date of Hearing

July 10, 2020

Order-Redacted Version

Order dated July 14, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Tannu Securities (Pvt.) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 27, 2020
2. Name of Company	Tannu Securities (Pvt.) Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Tannu Securities (Pvt.) Limited and its Compliance Officer.
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for the violations of Regulation 4(a), 18(c)(ii) and 18(c)(iii) 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> <ol style="list-style-type: none">i. The primary justification extended by the Respondent for not having an updated AML policy was that the AML Regulations were new (promulgated in 2018) and reasonable time was not available to understand the compliance required. The explanation of the Respondent does not hold merit. While the AML Regulations were issued in 2018 but the requirements contained therein are not new. Rather the requirements were introduced in 2012 when Karachi Stock Exchange (presently PSX) with the approval of the Commission, through Regulation 4.18 of the Rule Book made it mandatory for the securities brokers to formulate and implement an effective KYC and CDD policy in accordance with the Know Your Customer and Customer Due Diligence Guidelines issued by the Exchange. A comparison of the regulatory framework of 2012 with AML Regulations does not reflect any material difference in terms of requirements. Further, the Review was initiated in month of February,



Securities and Exchange Commission of Pakistan
Adjudication Division
Adjudication Department-I

	<p>2019 i.e. eight months after the promulgation of AML Regulations. Therefore, the AML Regulations cannot be termed as new set of requirements and the argument of the Respondent that sufficient time was not available for compliance is untenable.</p> <p>ii. With regard the violation of Regulation 4(a) of the AML Regulations, the Respondent vide its letter dated July 16, 2019 has provided updated AML/CFT policy approved by its board of directors on July 11, 2019 showing that policy was amended/updated subsequent to deficiencies highlighted by the Review team. During the hearing and in reply to the SCN, the Authorized Representatives admitted the default.</p> <p>iii. The default of Regulation 18 c(ii) cannot be denied in view of facts mentioned above. Furthermore, Authorized Representatives also acknowledged the said violation during the hearing.</p> <p>iv. With regard the violation of Regulation 18 c(iii), the Authorized Representatives admitted the violation and contended that due to lack of time Respondent could not make its AML policy in accordance with the AML Regulations. Authorized Representatives submitted that subsequent to the Review, compliance to the regulatory framework has been made.</p> <p>In view of the foregoing and admission made by the Representatives, contraventions of the provisions Regulation 4(a), 18(c)(ii) and 18(c)(iii) of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs.500,000/- (Rupees Five Hundred Thousand) is hereby imposed on the Tannu Securities (Pvt.) Limited. However, in reference to Regulation 18 c(ii) and 18 c(iii) of AML Regulations, Compliance office of the Respondent is warned to be careful in future. The Tannu Securities (Pvt.) Limited 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 14, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 500,000/- (Rupees five hundred thousand only) was imposed on the Company.
7. Current Status of Order	An appeal has been filed against this Order.

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



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