



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

No. SC/M.MS/UDL/2019/335
December 23, 2019

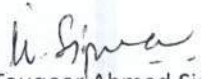
Mr. Shuja Malik,
Chief Executive Officer,
UDL Modaraba Management (Private) Limited,
Manager of First UDL Modaraba,
1st Floor, Business Enclave, 77-C,
12th Commercial Street, DHA Phase-II,
Karachi.

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 23, 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, Registrar Modaraba
In the matter of
First UDL Modaraba

Number and Date of Notice: SC/M.MS/UDL/2019-305 dated December 5, 2019
Date of Hearing: December 20, 2019
Present for Respondent: None

ORDER

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

This Order shall dispose of the proceedings initiated against First UDL Modaraba (the "Modaraba"), managed by UDL Modaraba Management (Private) Limited (the "Modaraba Company") through show cause notice dated December 5, 2019 (the "Notice") issued under 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 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."





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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 observed that out of about 60 SROs, the Modaraba responded to only 14 SROs, during the period August 1, 2019 to October 28, 2019. Moreover, some delays were observed in the responses that were submitted.

5. Consequently, the Notice dated December 5, 2019 under Section 40A of the Act was served on the Modaraba Company through its Chief Executive Officer ("CEO") as to why penalty may not be imposed on the Modaraba Company and its CEO in breach of the SRO. The Modaraba Company was also provided an opportunity of hearing on December 19, 2019 before the undersigned to clarify its position.

6. The Modaraba Company vide letter dated December 10, 2019 submitted a response to the Notice and maintained that prior to launching the specific portal, all the SROs forwarded to the Modaraba Company were replied through e-mails and post within the stipulated time. The mistake on their part was that they were only replying on the emails received from SECP as was the practice in the past. The Modaraba Company came to know of the oversight when a telephonic inquiry was made by SECP Karachi office on November 8, 2019, followed by two emails regarding non-compliances. Subsequently, within a few days all replies were provided through the online portal and at present, there are no outstanding replies on the online portal. The Modaraba Company has further submitted that the delay was due to oversight on their part, which may be condoned.

7. Hearing in the matter was scheduled on December 20, 2019. However, Mr. Shuja Malik, CEO vide e-mail dated December 20, 2019 did not opt the opportunity of personal hearing and requested that their response to the Notice dated December 10, 2019 may be treated as full and final submission from the Modaraba Company.

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."

9. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, representations made by the Modaraba Company 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





SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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assurance for future compliance of the law has been committed, I am inclined to take a lenient view and do not impose 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.

Bushra

Bushra Aslam
Registrar Modaraba



Announced
December 23, 2019
Islamabad.