

**Before Amina Aziz, Director/HOW (Adjudication-I)**

**In the matter of Show Cause Notice issued to Pak Oman Asset Management Company Limited**

Dates of Hearing

November 15, 2022

**Order-Redacted Version**

Order dated December 16, 2022 was passed by Director/Head of Wing (Adjudication-I) in the matter of Pak Oman Asset Management Company Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated September 21, 2022.
2. Name of Respondent(s)	Pak Oman Asset Management Company Limited, (the Company and/ or the Respondent)
3. Nature of Offence	<u>Alleged contraventions of Regulations 5(a), 9(b), 21(1)(c), &amp; (2) and 25(1)(a) read with Regulation 31 of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the AML Regulations); Rules 4(1) &amp; 6(1) of the AML/CFT Sanction Rules, 2020 (the AML Rules); and Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (the AML Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case in light of the applicable provisions of the law and has given due consideration to the written submissions and verbal arguments of the Respondent and its Representatives and is of view that:</p> <p>(i) The AML / CFT policy was already formulated by the Respondent and now the same has been approved by its Board.</p> <p>(ii) With regard to non-compliance of Regulation 25(I)(a) of the AML Regulations, the Company is heading toward automation of its screening mechanism and the same was not done earlier due to financial constrained. Further, with regard to discrepancies in customers database, with regard to inappropriate account opening dates, missing company's registration numbers, incorrect and missing expiry dates and expired CNICs; since the accounts were dormant/inactive and the CINCs' highlighted by the inspection team were issued for lifetime, therefore, the justifications of the Respondent have been accepted. <u>Further, the Respondent accepted the incorrect entry of the CNICs in respect of six (6) individual account holders. Although the Respondent has rectified the said deficiency, however, at the time of inspection the database of the Respondent was deficient in this regard. Hence, the Company</u></p>

	<p>was exposed to the risk of forming relationships with associates of the proscribed persons <u>in violation of Regulation 25(1)(a) of the AML Regulations.</u></p> <p>(iii) Moreover, the client database of the Respondent was deficient in respect of beneficiary details and the Respondent is in process of gathering such information. Thus, the screening mechanism of the Respondent is not efficient, however, the Respondent submitted that no information is missing in respect of active clients.</p> <p>(iv) The Respondent has admitted its negligence in the identification of PEP. <u>Thus, the Respondent failed to identify three (3) PEP highlighted by the Inspection Team in violation of Regulation 21(1)(c) of the AML Regulations.</u></p> <p>(v) With regard to the observation that the CNICs of twelve (12) Directors/ Trustees/signatories of six (6) Corporate Customers and two (2) Individual Clients were expired and updated CNICs of the said clients were not available in their respective files. Although, the Respondent has subsequently updated the record and is in process of strengthening its system, however, the deficiency existed at the time of inspection. <u>The Respondent was non-compliant with the requirement of Regulation 9(b) of the AML Regulations.</u></p> <p>(vi) The Respondent also failed to record the justification in respect of <u>fifteen (15) low risk clients in violation of Regulation 23(2) of the AML Regulations,</u> however, the Respondent assured that now onward they are properly maintaining the justifications of rating the low risk clients, therefore the same is condoned.</p> <p>(vii) Moreover, with regard to allegation of not taking the EDD measures on the customer categorization of eight (8) high risk clients, the Respondent submitted that they have taken all the EDD measures as provide in Regulation 21(2) of the AML Regulation except taking approval from the senior management. Since major EDD measures have been taken by the Respondent therefore the said violation is condoned.</p> <p>In view of the above, the violation of regulations 25(1)(a), 21(1)(c), and 9(b) of the AML Regulations is established. Therefore, the Company is laible to be penalized under regulation 31 of the AML Regulations; rules 4(1) &amp; 6(1) of the AML Rules; and Section 6A(2)(h) of the AML Act. Hence, in exercise of the powers conferred under Section 6A(2)(h) of the AML Act, I hereby, impose a fine of <b>Rs. 460,000/- (Rupees; Four Hundered and Sixty Thousand Only)</b> on the Company on account of the aforesaid conceded and established non-compliances of the AML Regulations.</p>
5. Penalty Imposed	Rs. 460,000/-
6. Current Status of Order	Penalty Not Deposited and No Appeal has been filed by the respondents.