

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Pakistan Microfinance Investment Company Limited

Dates of Hearing

November 8, 2021

Order-Redacted Version

Order dated May 28, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Pakistan Microfinance Investment Company Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated September 13, 2021
2. Name of Respondent	Pakistan Microfinance Investment Company Limited, (the Respondent and/ or the Company)
3. Nature of Offence	Alleged contraventions of <u>regulations 5(a), 9(b) and 25(1)(a) read with regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the AML Regulations 2020); rules 4(1) and 6(1) of the AML/CFT Sanction Rules, 2020 (the AML Rules); and Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (the AML Act).</u>
4. Action Taken	Key findings were reported in the following manner: I have examined the facts of the case in light of the applicable provisions of the law, the written submissions and verbal arguments of the Respondent Company and its Representative and observed that by not updating its AML/ CFT Policy, the Respondent has failed to comply with the requirements of regulations 5(a) of the AML Regulations 2020; promulgated in September 2020. Moreover, the Respondent's statement that it is in process of obtaining the copies of CNICs of the directors of its clients/ borrowers and signing of formal agreement between the Company and NADRA for the provision of online Verisys System, subsequent to the observation of the Commission is itself an admission of the violation of regulation 9(b) read with clause 6(iv) and note(ii) of Annexure-1 of the AML Regulations 2020. The

	<p>Representative admitted the defaults on part of the Respondent during the hearing held on November 8, 2021.</p> <p>In view the above facts it is stated that:</p> <ul style="list-style-type: none"> (i) the AML policy of the Respondent was not approved by its Board contrary to the requirements of regulation 5(a) of AML Regulations 2020; (ii) copies of CNICs of directors and CEO were not being maintained by the Respondent which is contravention of regulation 9(b) read with clause 6(iv) of the AML Regulations 2020; (iii) Non-verification of CNICs of clients through NADRA Verisys implies weak CDD on part of the Respondent, which created an impediment in meaningful screening and monitoring of customers, potential customers and beneficial owners/ associates of the customers to detect any matches or potential matches with the stated designated/ proscribed persons; and (iv) the Representative admitted the default in the hearing held on November 8, 2021. <p>The violations of regulation 5(a) and regulation 9(b) of the AML Regulations 2020 are established. Therefore, the Company is liable to be penalized under regulation 31 of the AML Regulations 2020; rules 4(1) & 6(1) of the AML Rules; and Section 6(A)(2)(h) of the AML Act.</p> <p>In exercise of the powers conferred on me under Section 6 (A)(2)(h) of the AML Act, I hereby, impose a fine of Rs. 425,000/- (Rupees; Four Hundred and Twenty-five Thousand Only) on the Company on account of the aforesaid conceded and established non-compliance of regulation 5(a) and regulation 9(b) of the AML Regulations 2020.</p>
5. Penalty Imposed	Rs. 425,000/-
6. Current Status of Order	Penalty not deposited