



Securities and Exchange Commission of Pakistan

Adjudication Division
Adjudication Department-I

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

In the matter of Show Cause Notice issued to Punjab Capital Securities (Private)
Limited

Dates of Hearing

January 01, 2021

Order-Redacted Version

Order dated January 06, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Punjab Capital Securities (Private) Limited. Relevant details are given as hereunder:

| Nature | Details |
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| 1. Date of Action | Show cause notice dated November 10, 2020 |
| 2. Name of Company | Punjab Capital Securities (Private) Limited |
| 3. Name of Individual | The proceedings were initiated against the Company i.e. Punjab Capital Securities (Private) Limited |
| 4. Nature of Offence | In view of alleged violations of Regulations 3(1)(b)(c), 3(2)(c), 4(c), 4(a), 13(1), 13 (3) 9(4)(a), 6(4)(c) and 6(4) of AML Regulations, 2018 read with Section 40 A of SECP Act, 1997. |
| 5. Action Taken | <p>Key findings were reported in the following manner:</p> <p>I have examined the written and oral submissions of the Respondent and its Compliance Officer. In this regard, I observe that:</p> <p>i. With regard to the observation regarding categorization of its 12 clients as high-risk based on high-risk jurisdiction areas, the Respondent in its reply to the SCN and during the hearing contended that these clients were placed in either low or medium risk based on their internal due diligence. Further, the Respondent during the hearing also contended that there is no obligation to classify clients as high risk based on high-risk jurisdiction areas or porous borders rather the risk categorization is based on the</p> |



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| | <p>assessment and discretion of the Respondent. The Respondent also provided that they have made several inquiries regarding the mandatory classification of clients as high-risk based on reasons such as high-risk jurisdiction areas/ porous border from the FMU and SECP, and they were informed that the Respondent should base its risk categorization based on internal assessment and due diligence whereas it is not mandatory to classify such clients as high risk. However, the Respondent could not demonstrate the reasons for classification of such clients as either medium or low risk. There was no documentary evidence or trail which could justify why such clients were not placed in high-risk category when belonging to high-risk jurisdiction areas. Further, the Respondent's back office system was not updated with respect to the risk categories of its clients.</p> <p>ii. With regard to observation regarding database of its clients' beneficial owners, nominees, joint account holders, BoDs, and authorized persons, the Respondent during the hearing contended that such database was already available and was also provided during the inspection. However, the inspection team after analyzing the datasheet provided by the Respondent had concurred that it did not contain details of nominees, joint account holders, BoDs, beneficial owners and authorized persons. Due to absence of such database, the Respondent could not ensure screening of its clients and related categories on periodic bases.</p> <p>iii. With regard to the EDD of its high-risk clients, the Respondent contended that both clients are dual national and were classified as high-risk. Further, the Respondent submitted that they maintain a separate</p> |
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| | <p>file for EDD and these are not kept with the account opening forms due to which such observation may have been highlighted. The inspection team had inquired regarding the EDD procedures performed for these clients. The Respondent during the inspection provided that since there were no suspicious transactions in these accounts therefore, there was no need to perform EDD. The Respondent had failed to demonstrate its efforts to perform EDD for its high-risk clients.</p> <p>iv. With regard to observation regarding identification of source of income of one client, the Respondent provided that such observation was not raised during the review and that it had already obtained evidence of source of income of such client. The Respondent argument here is not tenable as this client was already highlighted during the review and the Respondent had provided declaration on letter head of the clients' business stating that he deals in buying and selling of mobiles. After reviewing these documents, the inspection team had observed that there was not satisfactory evidence for the source of income/ funds of this client. The Respondent during the hearing also provided that copy of tax return for the client has been collected dated November, 2019 however, the same was not provided to the inspection team.</p> <p>v. With regard to the Verisys of its clients, the Respondent had contended that they perform biometric/ mobile number verification of customers that is linked with NADRA one-link. Further, the Respondent provided that clients IBAN number is also verified through bank's NADRA Verisys facility. In addition to this, CNIC of the client is also provided to</p> |
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| | <p>NCCPL who confirmed that they perform NADRA Verisys and for which they charge fees as well. The contention of the Respondent in this regard is not tenable. The AML Regulations clearly stipulates statutory obligation to perform NADRA Verisys and maintenance of evidence in this regard. The Respondent had provided copies of Verisys of its clients which were performed subsequent to the review. Further, the NCCPL only perform Verisys of the clients and not their associated individuals such as beneficial owners, nominees, authorized persons. Further, the NCCPL also does not perform Verisys for BoDs and authorized persons for corporate clients. The Respondent had failed to demonstrate its efforts to obtain Verisys facility and provided evidence of Verisys which was arranged subsequent to the review period.</p> <p>In view of the foregoing and admission made by the Representative, contraventions of the provisions of AML Regulations have been established against the Respondent. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs.275,000/- (Rupees Two Hundred and Seventy Five Thousand Only) is hereby imposed on the Respondent. The Respondent is directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited within 30 days of date this Order and furnish the original deposit challan to this Office.</p> <p>Penalty order dated January 06, 2021 was passed by Executive Director (Adjudication-I).</p> |
| 6. Penalty Imposed | A Penalty of Rs.275,000/- (Rupees Two Hundred and Seventy-Five Thousand Only) was imposed on the respondent company to ensure compliance of law in future. |
| 7. Current Status of Order | Appeal has been filed by the respondent company |