



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 Q. Ain Khanani Securities (Private)
Limited

Dates of Hearing

January , 15, 2021

Order-Redacted Version

Order dated January 21, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Q. Ain Khanani Securities (Private) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated December 17, 2020
2. Name of Company	Q. Ain Khanani Securities (Private) Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Q. Ain Khanani Securities (Private) Limited
4. Nature of Offence	In view of alleged violations of Regulations 6(3)(c), 6(4), 13(1), and 13(7) 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 submissions made in writing and during the hearing as well as issues highlighted in the show cause notice and requirements of the AML Regulations and of the Act. The facts of the case may be summarized as under:</p> <p>i. The Respondent could not exhibit that at the time of inspection, it was in possession of requisite documents substantiating source of income/funds in identified 4 cases by inspection team. The documents presented by the Respondent in hearing and in response to SCN, reflect that in case of 3 sample clients, the Respondent obtained the aforesaid documents, subsequent to Inspection, whereas, in case of fourth client, document</p>



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	<p>of source of income was deficient i.e. without any tax return or document evidencing source of income from the business of the client. Thus, the source of income/funds of clients were not established to perform customers due diligence (CDD) and for source of income/ funds of the clients, in contravention to the requirements of Regulation 6(3)(c) of the AML Regulations.</p> <p>ii. As regards to the violation of note (i) of Annexure-I of Regulation 6(4) of the AML Regulations, Respondent, evidences of NADRA Verisys of clients and nominees CNICs were obtained subsequent to issuance of LOF dated March 25, 2020 as NADRA Verisys documents were of May 19 or/and May 20, 2020. The Respondent through written reply informed that application was made before NADRA for seeking Verisys system. In view of the aforesaid, the Respondent has violated the requirements of note (i) of Annexure-I of Regulation 6(4) of the AML Regulations.</p> <p>iii. The Respondent furnished a copy of print out dated December 30, 2020 i.e. subsequent to the inspection, of "clients CNIC expiry alert" through "SEAMS" software. In terms of the aforesaid system to general alerts for expired CNICs was initiated by the Company. It was also admitted that the matter of compliance was initiated subsequent to the issue highlighted by the inspection team. Hence, at the relevant time of inspection, the Respondent violated the requirements of note (iv) of Annexure-I of the AML Regulations.</p> <p>iv. The Respondent through reply dated December 30, 2020 furnished KYC/CDD forms of 4 clients and a beneficial owner, in terms whereof "low risk" justifications were provided on the said forms.</p> <p>v. The Respondent could not exhibit existence of mechanism in respect of on-going screening of clients, and maintenance of database of beneficial owners of</p>
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	<p>clients in case of companies and trust. The Respondent in response to LOF stated as under:</p> <p><i>“We are maintaining the database of our directors shareholders and authorized signatories and we have periodically screen all the clients through UNSC/NACTA list we also have a mechanism and screening system for new client verification and we screen all the existing clients time to time when UNSC/NACTA list addition or deletion of names.”</i></p> <p>vi. It was informed during the hearing that the Respondent had two corporate clients, however, the aforesaid clients were not active and last traded about 4 to 5 years ago. I, am of the view that the maintenance of database the record of directors/trustees, shareholders and authorized signatories in case of companies and trust is required in terms of the Regulations, and the Respondent was found non-compliant despite of having two corporate clients. The absence of complete record and no mechanism to screen through UNSC/NACTA lists, is substantial to highlight that the Respondent was in violation of the requirements of Regulation 13(1) and Regulation 13(7) of the AML Regulations.</p> <p>In view of the foregoing facts, I, am of the considered view that the Respondent has violated the requirements of the AML Regulations. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 450,000/- only (Rupees four hundred and fifty thousand) is, hereby, imposed on the Respondent.</p> <p>Penalty order dated January 21, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 450,000/- only (Rupees four hundred and fifty thousand) 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