

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

**In the matter of Show Cause Notice issued to Sethi Securities (Private) Limited**

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Dates of Hearing

February 23, 2022

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**Order-Redacted Version**

Order dated April 14, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Sethi Securities (Private) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated December 28, 2021.
2. Name of Respondent	Sethi Securities (Private) Limited (the Respondent/ the Company)
3. Nature of Offence	<u>Alleged contraventions of rules 4(1) and 6(1) of the AML/ CFT Sanctions Rules, 2020 (the AML Rules) and regulation 25(1), 11 31 of the Securities &amp; Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the Regulations) read with Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010.</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case and considered the written and oral submissions of the Respondent and material available record in light of the applicable legal provisions and observed that:</p> <p>i. With regard to observant regarding screening of beneficial owners (BO) of its clients, the Respondent provided excel-based clients database containing details of beneficial owners. However. during the inspection, the Respondent informed that screening was being performed through screening software and provided the clients database extracted from the screening software <u>which was deficient with respect to details of beneficiate owners</u>. Therefore. it was observed that the Respondent's system was not performing screening of beneficial owners of the clients in the form and manner as required under the AML Regulations. Further, with regard to the screening of its clients, their nominees, joint account holders, beneficia:</p>

	<p>owners, Board of Directors and authorized persons from the list of designated/ proscribed persons mentioned on UNSC website, the Respondent had failed to furnish evidence at the time inspection. Therefore, the Respondent was made in contravention of regulation 25(1) of the AML Regulations</p> <p>ii. With regard to the identification of beneficial owners:</p> <p>a. <u>CDC Sub A/c. no. 1508:</u> The Respondent provided return of income filed voluntarily for the year ended June 30, 2020 which shows sufficient clients net assets and foreign remittances to match with the trading activity and custody of the client account with the securities broker. The same was also provided during the inspection and the client was identified as self-beneficiary.</p> <p>b. <u>CDC Sub A/c. No. 3767:</u> The Respondent provided tax return which shows significant net assets and cash in hand to match with the trading activity in the client's account maintained with the securities broker. Further, the Respondent also provided succession certificate for the client which shows transfer of shares from the parent. The same were provided during the inspection and the client was identified as self-beneficiary.</p> <p>In view of the aforesaid documents/ evidences, the submissions of the Respondent were found to be satisfactory.</p> <p>Therefore, in terms of powers conferred under 6(A)(2)(h) of the Act, a penalty of Rs. 1,000,000 (<u>Rupees One million Only</u>) is hereby imposed on the Respondent. The Respondent is advised to review its AML/ CFT policy &amp; procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit in future.</p>
5. Penalty Imposed	Rs. 1,000,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondents.