

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

In the matter of Show Cause Notice issued to Shaffi Securities (Private) Ltd

Dates of Hearing

June 04, 2021

Order-Redacted Version

Order dated July 30, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of Shaffi Securities (Private) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 05, 2021.
2. Name of Respondent	Shaffi Securities (Pvt.) Limited (the Respondent)
3. Nature of Offence	Alleged contraventions of <u>Regulation 4(a), 6(3)(c), 13(7), 13(1), 15(3), and 6(4) of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the AML Regulations) read with Section 40A of the Securities and Exchange Commission of Pakistan Act 1997 (the Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have considered both the written and verbal submissions made by the Respondent and requirements of the AML Regulations and stat that:</p> <p>i. With regard to the observation regarding screening of its clients against list of proscribed persons, the Respondent submitted copy of NCCPL compliance report with regard to screening of its clients against UNSC consolidated list for the period 1-07-2019 to 31-12-2019. However, the same does not suffice as evidence related to screening of its clients against all proscribed individuals as identified through lists of UNSC and NACTA. The Respondent had not maintained any database regarding the screening of its clients and only rely on website of NACTA practice there is a risk that any proscribed individuals as provided by UNSC and NACTA lists and database of proscribed individuals during the inspection period therefore, it was found non-compliant with regulation 4(a), 13(7) and 15(3) of the AML Regulations.</p>

	<p>ii. With regard to the observation regarding on-going monitoring of its clients, the Respondent during the hearing provided that they have installed software-based system for transaction monitoring of all of its clients. the Respondent submitted evidence of tax returns, pension slips, and CDC shareholding of 2 clients which were identified in the SCN. It has been observed that the clients have carried out substantial trading activity in their accounts which did not correspond with the level of their income as identified during the inspection. Therefore, the Respondent was found in contravention of regulation 6(3)(c) and 13(1) of the AML Regulations.</p> <p>iii. With regard to the observation regarding CDD of 8 clients, the Respondent provided various documentary evidences relating to income, salary and pension of these clients. however, it was observed that the requisite documentation was arranged after the observations were raised by the inspection team and were submitted subsequent to the letter of findings. In view of the missing documents during the inspection, the Respondent was found in contravention of Regulation 6(3)(c) and note ii of annexure I of regulation 6(4) of the AML Regulations.</p> <p>iv. With regard to the NADRA Verisys of its clients, the Respondent during the hearing provided that the facility was not available at the time of inspection. However, subsequently, they have performed Verisys for most of its clients through a third-party source. Further, the Respondent also agreed that it had failed to obtain renewed CNICs of clients which were expired before August 31, 2019. In view of the said, the Respondent was found in contravention of annexure I read with regulation 6(4) of the AML Regulations.</p> <p>Therefore, in terms of powers conferred under section 40A of the Act, a penalty of <u>Rs.100,000/- (Rupees One Hundred Thousand)</u> 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>
5. Penalty Imposed	Rs. 100,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondents.

