

Before Amina Aziz, Director/ Head of Wing (Adjudication-I)

In the matter of Show Cause Notice issued to Surridge & Beecheno

Dates of Hearing

August 24, 2022

Order-Redacted Version

Order dated November 1, 2022, was passed by Director/Head of Wing (Adjudication-I) in the matter of Surridge & Beecheno (Registered Intermediary). Relevant details are given as hereunder:

| Nature | Details |
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| 1. Date of Action | Show Cause notice dated August 16, 2022. |
| 2. Name of Respondent(s) | Surridge & Beecheno, (the Respondent) |
| 3. Nature of Offence | Alleged contraventions of Section 7(H) of the Anti-Money Laundering Act, 2010 (the AML Act), read with rules 3(2), 4(1)(a) and 6(1) of the AML/CFT Sanctions Rules, 2020 (the AML Rules) and Section 6A(2)(h) of the AML Act. |
| 4. Action Taken | <p>Key findings were reported in the following manner:</p> <p>I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the verbal as well as written submissions and arguments of the Respondent and am of the view that:</p> <p>(i) Apart from being a registered Law Firm, the Respondent, is also registered as an intermediary under the Intermediaries Regulations, framed under the Companies Act, 2017 (XIX of 2017) (the law administered by the Commission). Moreover, in terms of clause ii(a) and ii(b) of sub-regulation 1 of regulation 16 of the Intermediaries Regulations (SRO 1521(I)/2018 dated December 14, 2018), a registered intermediary is required to ensure compliance with AML laws. Thus, the Respondent's stance that the Commission went beyond its jurisdiction conferred upon it by the SECP Act and issued a show cause notice to a law firm is not tenable. The Respondent is a registered entity and falls under the ambit of the Commission to the extent of its business with regard to Intermediary Services.</p> <p>(ii) Moreover, the Respondent is of the view that they are providing intermediary services to the companies registered with the Company Registry and to foreign clients who intend to incorporate their subsidiaries in Pakistan. The incorporation of a new company with foreign subscribers and appointment of foreign directors is subject to the security clearance of the Ministry of Interior (MOI) and Government of Pakistan (GOP) for which they obtained certain documents, identification/biodata of the foreign subscriber and or directors and submit to the Company Registry for onward submission</p> |

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| | <p>to MOI. Furthermore, the foreign shareholders remit all their subscribed capital in foreign currency through normal banking channels their foreign shareholdings are registered with Sate Bank of Pakistan (SBP) on the basis of inward remittance. Also, for assisting in filling Form-A, Form-29, and annual financials, these are duly audited by the qualified auditor. On the contrary, pursuant to the provisions of Section 7H of the AML Act, every reporting entity is required to implement policies and procedures to ensure its compliance with the provisions of this Act and orders, rules or regulations made thereunder that impose TFS obligations upon reporting entities. The Respondent being a reporting entity cannot transfer its TFS obligations in terms of Section 7H of the AML Act to any other entity. The Respondent's contention that it does not fall under the ambit of AML Act for this purpose is not plausible.</p> <p>The Respondent is a Registered Intermediary and was required to formulate and implement policies and procedures to ensure its compliance with TFS obligations imposed upon reporting entities. In absence of any written policies to ensure compliance with the provisions of the AML Act and orders, rules or regulations that impose TFS obligations, the non-compliance of Sections 7H of the AML Act are established, which attracts provisions of rules 3(2), 4(1)(a) and 6(1) of the AML Rules and Section 6A(2)(h) of the AML, however, considering that during the course of provisions of intermediary's service, the Respondent had not handled any financial transactions, clients funds or business transactions, either at pre-incorporation or post-incorporation stages, or at any other time which may be reportable under the AML Act, a lenient view is being taken and I hereby, in terms of the power conferred under Section 6A(2)(h) of the AML Act read with rules 4(1) and 6(1) of the Rules, conclude the proceedings initiated against the Respondent through the SCN without imposing any monetary penalty. Nonetheless, the Respondent is hereby warned to ensure meticulous compliance with all the applicable provisions of the AML Act, particularly those of Section 7H thereof.</p> |
| 5. Penalty Imposed | Warning |
| 6. Current Status of Order | Appeal has been filed by the respondent in Singh High Court. |