

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

In the matter of Show Cause Notice issued to UBL Fund Managers Limited

Dates of Hearing

October 29, 2021

Order-Redacted Version

Order dated April 30, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of UBL Fund Managers Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated September 13, 2021.
2. Name of Respondent	UBL Fund Managers Limited, (the Respondent and/ or the Company)
3. Nature of Offence	<u>Alleged contraventions of Regulations 5(a) & (b), 8(1) & (3), 9(b), 13, 21(2) and 25(1)(a) read with Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (AML Regulations); Rules 4(1) and 6(1) of the AML/CFT Sanction Rules, 2020 (AML Rules) and Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (the AML Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case in light of the applicable provisions of the law and has given due consideration to the written submissions and verbal arguments of the Respondent Company and its Representative and observed that:</p> <p>(i) The clients' database maintained by the Company was incomplete as certain critical information in respect of clients were found missing which raised doubt on completeness, accuracy and reliability of the database for the periodic screening and monitoring of clients and their associated persons. Although, screening was done by using other parameters including Name, Father's Name and Addresses, however, in absence of correct CNIC number and passport number, accuracy of the screening process is doubtful. This implies that the Company has not developed an effective mechanism, process, and procedure for screening and</p>

	<p>monitoring of the clients their borrowers and associate's persons. Hence, the Company is exposed to a risk of forming relationships with associates of the proscribed person, which is violation of regulation 25(1)(a) of the AML Regulations;</p> <p>(ii) Risk categorization of the customer has not been done by the Company properly as certain clients were assigned more than one risk rating which showed that the Company failed to fulfill the requirement of risk categorization of each customer's risk depending on outcome of the CDD process, contrary to the requirement of regulation 8(3) of the AML Regulations.</p> <p>(iii) Non-maintenance and/or incomplete KYC forms indicate serious concerns regarding the maintenance and recording of customers' database at the Company and confine the Company to perform adequate CDD contrary to the requirement of regulation 8(1) of the AML Regulations.</p> <p>(iv) The Company failed to update its AML Policy which is contravention of regulations 5(a) and (b) of the AML Regulations. The Respondent updated its AML SOPs in April 2021 however, it was required to update its AML Policy as well. Keeping in view the fact that new AML Regulations 2020 were promulgated in September 2020, therefore, the Company should have updated its policy as per the AML Regulations 2020 and its Board should have duly approved the same.</p> <p>(v) Evidence of identification record and EDD measures taken, has been provided by the Company. However, the Respondent has to be more prudent for meticulous compliance with the requirement of regulations 9 and 21 of the AML Regulations.</p> <p>Therefore, in exercise of the powers conferred under Section 6 (A)(2)(h) of the AML Act, I hereby, impose a fine of Rs. 9,130,000/- (Rupees; Nine Million One Hundred and Thirty Thousand Only) on the Company on account of the aforesaid conceded and established non-compliance of the AML Regulations.</p>
5. Penalty Imposed	Rs. 9,130,000/-
6. Current Status of Order	Penalty not deposited .