

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

In the matter of Show Cause Notice issued to Z.A Ghaffar Securities (Private) Limited

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Dates of Hearing

April 28, 2022

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**Order-Redacted Version**

Order dated May 12, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Z.A Ghaffar Securities (Private) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated February 08, 2022.
2. Name of Respondent	Z.A Ghaffar Securities (Private) Limited (the Company and/ or the Respondent)
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, 8(3), 9(b), 23(2), and 31 of the Securities &amp; Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the AML Regulations) read with Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010(the Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have considered the facts of the case, the written and oral submissions of the Respondent and material available on record in light of the applicable legal provisions and observed that:</p> <p>(i) with regard to the risk ratings of nine (9) clients and two (2) joint account holders, it was observed that the Respondent had not assigned risk categories. However, subsequent to the observation highlighted by the inspection team, all the clients were marked as "low risk" by the Respondent. The decision to rate a customer as low risk shall be recorded in writing as required by the AML Regulations. However, it was observed that the Respondent had not provided adequate justification to categorize these clients as low risk. The Respondent has therefore, contravened the provisions of regulations 8(3) and 23(2) of the AML Regulations.</p>

	<p>(ii) with regard to the documentary evidence of source of income/ fund, like salary slip etc. of two (2) clients, the Respondent during the hearing submitted that complete tax returns of the clients could not be produced at the time of the inspection, however, they provided subsequently to the inspection team. During the inspection, it was observed that the Respondent provided insufficient/ ineligible documentation with regard to the source of income/ funds of two (2) clients. Therefore, the Respondent was found non-compliant with regulation 9(b) and note (i) of Annexure I of the AML Regulations.</p> <p>Therefore, in terms of the powers conferred under 6(A)(2)(h) of the Act, penalty of Rs. <u>240 000/- (Rupees Two Hundred and Forty Thousand Only)</u> is hereby imposed on the Respondent. The Respondent is advised to examine its AML/ CFT policy &amp; procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.</p>
5. Penalty Imposed	Rs. 240,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondent.