



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 93 of 2019

We Financial Services Limited

Appellant

versus

The Commissioner (Securities Market Division) SECP, Islamabad

Respondent

Date of hearing:

April 25, 2024

Present:

For the Appellant:

1. Mr. Humayun Javed,
2. Mr. Ameer Nousherwan

For the Respondent:

1. Mr. Mahboob Ahmed, Additional Director, Adjudication -I, SECP
2. Mr. Muhammad Faisal, Assistant Director (Adjudication-I), SECP

ORDER

1. This Order shall dispose of Appeal No. 93 of 2019 filed by We Financial Services Limited (the Appellant) against the Order dated July 15, 2019 (Impugned Order) passed by the Commissioner Securities Market Division, SECP (the Respondent).
2. The brief facts of the case are that the Appellant is a trading rights entitlement certificate holder of the Pakistan Stock Exchange (PSX) and is licensed as a securities broker with the Securities and Exchange Commission of Pakistan (the Commission). The Commission vide order dated March 1, 2019 conducted a review of the Appellant's compliance status with the regulatory requirements contained in the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering

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Financing of Terrorism) Regulations, 2018 (AML Regulations). The review report (the Report) revealed that the Appellant was found non-compliant with the following requirements of the AML Regulations:

- i. The Appellant failed to submit the requisite information and documents regarding the KYC/CDD forms of accounts of its clients. Primarily, the requisite information and documents pertains to NTN certificates and source of income of clients.
 - ii. The Appellant failed to demonstrate that information regarding the client risk profiling was complete. The Appellant categorized one of its client as high risk, however, procedure of enhance due diligence was not applied. Information regarding the nature of income and source of funding of clients was not available.
 - iii. The Appellant failed to provide evidence that it had ongoing monitoring mechanism and procedure along with supporting documents for implementation of ongoing monitoring of its clients.
 - iv. The Appellant failed to maintain proper and correct record about assigned ratings to its clients. As per record, there are discrepancies in risk ratings assigned in KYC forms and back office records of four clients.
3. In view of the above violations, the Respondent issued the show-cause notice dated May 06, 2019 (the SCN) to the Appellant. The Appellant submitted a written reply to the SCN and hearing in the matter was held on May 24, 2019. The Respondent concluded the SCN proceedings and imposed a penalty of Rs. 200,000 on the Appellant.
4. The Appellant filed this Appeal *inter alia* on the grounds that the Respondent wrongly observed that it had failed to comply with the requirements of the AML Regulations. The Appellant further contended that it always carried out the required due diligence in a timely manner relating to KYC. The Appellate has taken the plea that the Impugned Order is based on mere procedural lapses and some of the observations were even duly rectified by the Appellant.
5. The Respondent rebutted the Appellants' grounds of appeal and stated that the AML Regulations' requirements had been violated by the Appellant. The Respondent stated that the Appellant failed to provide NTN certificates and the sources of income of certain clients, therefore, it failed to carryout

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adequate KYC/CDD procedure and mechanism. The Respondent stated that the Appellant also failed to perform enhanced due diligence of its client who was categorized as 'high risk'. The Respondent further stated that the Appellant failed to provide evidence that it had an adequate ongoing monitoring mechanism of its clients. The Respondent submitted that the Appellant also failed to maintain proper and correct record about assigned ratings to its clients because, as per record, there were discrepancies in the risk ratings assigned to clients in the KYC forms and back-office records.

6. The Appellate Bench (the Bench) has heard the parties and perused the record. The Bench is of the view that the Appellant's assertions are insignificant to challenge the findings of the Impugned Order because the Appellant failed to prove that it had an adequate and appropriate mechanism of KYC/CDD and enhanced due diligence. The Bench has no doubt that KYC/CDD and enhanced due diligence requirements are core to the AML Regulations and are necessary to combat with money laundering activities in Pakistan. Furthermore, in addition to KYC/CDD and enhanced due diligence of clients, it was obligatory for the Appellant to ensure a thorough ongoing monitoring mechanism that categorizes the clients' risk profiles and sources of funds. The Bench has noted that the record clearly reflects that the Appellant failed to meet the requirements of the AML Regulations.
7. In view of the foregoing, we find no reason to interfere with the merits of the Impugned Order, therefore, by maintaining the Impugned Order, we hereby dismiss this Appeal without any order as to cost.

(Abdul Rehman Warriach)
Commissioner

(Mujtaba Ahmed Lodhi)
Commissioner

Announced on: 10 JUN 2024