

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

**In the matter of Show Cause Notice issued to MCB Arif Habib Savings and Investments Limited**

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Dates of Hearing

March 30, 2022

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**Order-Redacted Version**

Order dated June 07, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of MCB Arif Habib Savings and Investments Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated February 25, 2022
2. Name of Company	MCB Arif Habib Savings and Investments Limited, (the Respondent and/ or the Company).
3. Name of Individual*	The proceedings were initiated against the Company.
4. Nature of Offence	Alleged contraventions of <u>Regulations 25(1)(a) &amp; 8(3) read with Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020; Rules 4(1) &amp; 6(1) of the AML/ CFT Sanction Rules, 2020 and Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010.</u>
5. 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 and its Representatives and observed that:</p> <p>(i) The CNIC information in respect of beneficiaries and authorized personal of corporate clients of the Respondent was missing in the database used for the screening purposes. CNIC (in case of local individuals) and passport numbers (in case of foreigner individuals) is one of the key parameters used for screening against proscribed persons and in absence of CNIC and passport numbers, accuracy of the screening process is doubtful. The Respondents' stance</p>

	<p>that the CNIC information was available in the record and now has been updated in the database is an admission of missing CNIC information in screening database. As periodic screening is being done through the database, therefore, absence of CNIC information in the database make the screening process doubtful.</p> <p>(ii) The Respondent stated that its Banned Person System screens the names of beneficiaries and authorized personals of the corporate clients even if CNIC information is not available. In case this argument is agreed, even then complete CNIC is required to rule out the false positives arising from similar names. Owing to missing CNIC information about beneficiaries and authorized personals of the corporate clients in database of the Company, screening of its clients rendered ineffective.</p> <p>(iii) Addresses of the clients in seceding database is another key parameter for screening purposes as in case where CNIC numbers are missing from NACTA list, the regulated persons are required to conduct the screening based on other parameters available like father's name, address, locality, etc. The Respondent stance that out of total fifty-four (54) individual accounts highlighted by the inspection team, where addresses were missing in the database, nine (9) individuals accounts, whose addresses were available in the record have been updated whereas rest are dormant and or inactive accounts, is an admission by the Respondent that the screening database was deficient in respect of the addresses of the clients.</p> <p>(iv) Details of third-party investment beneficiaries was not available in the screening database, although the Respondent informed that proper screening of third-party payment instrument issuers were carried out at the time of investment and also provided the evidence in this regard, however, by not entering the details of third-party beneficiary in screening database, periodic screening of such beneficiaries was not carried out.</p> <p>(v) 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.</p> <p>Although, subsequent to identifying the discrepancies by the inspection team, the Respondent has entered the missing record pertaining to CNIC of highlighted beneficiaries and authorized personal of corporate clients, addresses of certain clients and</p>
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	<p>rectified the varied risk categorization of the clients, however at the time of inspection the said deficiencies in respect of the requirements of AML/ CFT regime were existed in the record and database of the Respondent.</p> <p>Hence, in exercise of the powers conferred under Section 6 (A)(2)(h) of the AML Act, I hereby, impose a fine of <u>Rs. 400,000/- (Rupees; Four Hundred Thousand Only)</u> on the Company on account of the aforesaid conceded and established non-compliances of the AML Regulations.</p>
6. Penalty Imposed	Rs. 400,000/-
7. Current Status of Order	Appeal has been filed by the respondents.