

*Before Shauzab Ali, Commissioner (SMD)*

**In the matter of Show Cause Notice issued to Al Habib Capital Markets Private Limited**

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Date of Hearing

November 06, 2019

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**Order-Redacted Version**

Order dated April 03, 2020 was passed by Commissioner (SMD) in the matter of Al Habib Capital Markets (Pvt) Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated October 25, 2019
2. Name of Company	Al Habib Capital Markets (Pvt) Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Al Habib Capital Markets (Pvt) Limited.
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for non-compliance of AML and CFT Regulations, 2018, & the Licensing Regulations.
5. Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have examined the submissions of the Respondent and its Representatives. In this regard, I observe that:</p> <ul style="list-style-type: none"><li>a. With regard to the deficiencies in AML/CFT Policy,<ul style="list-style-type: none"><li>i. The Respondent had submitted that they have defined measures for customers due diligence in their policy and identified the same during the hearing. The Respondent further provided that the definition of the term "customer" has been defined in regulation 2(1)(ia) of the Licensing Regulations and also includes natural person or legal arrangements. The Respondent's policy was found sufficient in respect of Customer Due Diligence/ Identification of beneficial ownership of legal persons.</li></ul></li></ul>



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	<p>ii. The Respondent also submitted that Counter measures including but not limited to Enhanced Due Diligence proportionate to the risk and business relationships with customers of FATF list or as notified by the Federal Government are covered in clause 10,11 &amp; 14 of their AML/CFT Policy. The policy was reviewed and found to be satisfactory in this regard.</p> <p>iii. The Respondent further submitted that reporting of STRs is also covered in their policy in clause 13 of their AML/CFT Policy. The policy was reviewed and found to be satisfactory in this regard.</p> <p>b. The Respondent has mentioned that a subsidiary of BAML, it always had separate compliance officer and internal auditor even before the implementation of the Licensing Regulations. However, the Respondent admitted during the period of review, Mr.Sharjeel Ahmed was internal auditor, but he resigned abruptly and the Respondent had to look for a competent person complying the criteria mentioned in the Licensing Regulations and other laws, Mr.Mehdi Imam, the compliance officer had to temporarily oversee the internal audit function, which could not be ignored. As per relevant record, vide IOM dated January 3, 2019, chief executive of the Respondent informed to chairman audit committee that position of chief internal auditor had become vacant and till the thematic review carried in April-May, 2019, the position remained vacant. Therefore, the observation in Review is not tenable.</p> <p>c. With regard to the independence of internal auditor function, The Respondent admitted that it was a stopgap arrangement wherein Mr.Mehdi Imam, the compliance officer had to temporarily oversee the internal audit function, which could not be ignored. However, it was observed that the Respondent's internal audit report for the period January, 2019 did not sufficiently cover the areas under AML Regulations and Guidelines. Therefore, the Respondent is advised to address the requirements of AML Regulations in their internal audit function in future and perform assessment of their AML/CFT systems as required under Regulation 4(d) of the AML regulations.</p>
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	<p>In view of the foregoing and admission made by the Representatives, I am of the considered view that the Respondent is cognizant of their obligations under the AML Regulations. I am also assured by the Respondent's commitment to further strengthen its systems and procedures regarding AML/CFT procedures. Therefore, keeping in view the past track of the Respondent, I hereby warn the Respondent to be careful in future and ensue meticulous compliance of AML Regulations in letter and spirit.</p> <p>Warning order dated April 03, 2020 was passed by Commissioner (SMD).</p>
6. Penalty Imposed	A warning was issued to the Company.
7. Current Status of Order	No appeal was filed.

**Redacted version issued for placement on the website of the Commission.**