

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to M/s. Ample Securities (Pvt) Limited

Date of Hearing

August 24, 2020

Order-Redacted Version

Order dated September 15, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Ample Securities (Pvt) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated July 03, 2020
2. Name of Company	Ample Securities (Pvt) Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Ample Securities (Pvt) Limited and its Compliance Officer.
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for the violations of Regulation 6(4), 6(3)(c), 13(1), 4(d) and 18(c)(ii) of the AML and CFT Regulations, 2018
5. Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have examined the written as well as oral submissions of the Respondent and its Authorized Representative. In this regard, I observe that:</p> <ol style="list-style-type: none">i. The Respondent was required to comply with the regulatory framework wherein validation of identification documents from NADRA Verisys is mandatory. During the hearing the Authorized Representative of the Respondent admitted non-validation the photocopies of identity documents of its ten customers/nominees/joint account holders. Further, they did not provide any correspondence with NADRA as an evidence of taking up the matter for seeking NADRA Verisys facility. Therefore, violation of Regulation 6(4) of AML Regulations on part of Respondent cannot be denied.



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- ii. The Respondent has substantiated performance of CDD measures & submitted CDD risk scorecard on the basis of which decision of categorizing clients as low risk customers was taken as per the requirements of Regulation 6(2) and Regulation 11(2) of the AML Regulations.
- iii. With respect to the violation of Regulation 6(3)(c), it is statutory obligation of the Respondent to obtain requisite information i.e. source of income/ proof of income and monitor transaction of instances as highlighted in SCN, the detail of the instances as follows:

Client 1

The Respondent submitted the client's authority letter dated July 13, 2011 whereby the client authorized her son to trade (buy/sell) shares on her behalf. Further, Respondent informed that the said client was mother of an employee of the Respondent and her account is operated by her son. The Respondent did not exhibit a proper evidence to substantiate compliances of the Regulations 6(3)(c) and 13(1) of the AML Regulations.

Client 2

The inspection team observed significant transactions in joint accounts of said client. The Respondent submitted that one of the joint account holder works as an advertising agent, earns a fixed plus commission base income and his other source of income is from investment & hedging in stock. The Respondent submitted pre-inspection documents i.e. employee certificate, business card. However, in response to the SCN, the Respondent submitted Income tax acknowledgement submission receipt along with income tax return for the period July 1, 2018 to June 30, 2019 wherein printing date 14 Jul 2020 was affixed. It depicts that the Respondent tried to rectify the default of the said Regulations subsequent to the Inspection. However, at the same time Respondent could not provide source of income/proof of income of the remaining three joint account holders. In view of aforesaid, the Respondent did not comply with the said Regulations of the AML Regulations.

Client 3

The inspection team observed significant transactions in an account of a customer. The Respondent informed that client is doctor by profession and performs trading in stock market. He is non-active taxpayer. In response to the reply of SCN, the Respondent submitted the documents i.e. business card, Consultant E.N.T Surgeon certificate. The Authorized Representative of the Respondent during the hearing was asked to provide the requisite information i.e. source of income/ proof of income of said client, however, same was not available. Hence Respondent contravened the provisions of AML Regulations.



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Client 4

The customer was marked as businessman in account opening form. In response to the SCN, the Respondent submitted business card along with Income tax acknowledgement receipt, income tax return for the period: July 1, 2017 to June 30, 2018" wherein printing date was affixed as Feb 23, 2019 which reflects that Respondent has taken an appropriate measures to comply the said Regulations of the AML Regulations.

Client 5

The Authorized Representative of the Respondent during the hearing submitted that it is a dormant/in-active account, however, no evidence was furnish to substantiate the said claim. Consequently, the violation of the provision of Regulation 6(3)(c) of the AML Regulations cannot be denied.

- iv. In response to the Commission's email dated May 11, 2020, the Respondent vide its email May 12, 2020 submitted that chief executive supervises the internal audit function and compliance officer perform the said job The said response of the Respondent affirms that Respondent has failed to establish independent internal audit function. Further, the management of the Respondent provided the list of all employees to inspection team, which revealed that internal audit function was not assigned to any employee. Thus, the Respondent have failed to comply with the Regulation 4(d) of the AML Regulations.
- v. The violations of Regulation 18c(ii) of AML Regulations is evident on the ground that the compliance officer failed to ensure (a) validation of identity documents through NADRA verisys, (b) obtaining of evidence of source of funds/proof of income of the customer, (c) monitoring the transactions on ongoing basis and (d) nonexistence of internal audit function.

In view of the foregoing and admission made by the Representative, contraventions of the provisions of Regulations 6(4), 6(3)(c), 13(1), 4(d) and 18(c)(ii) of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 250,000/- (Rupees two hundred fifty thousand) is hereby imposed on the Ample Securities (Pvt.) Ltd. However, in reference to Regulation 18(c)(ii) Compliance Officer is warned to be careful in future. The Respondent is advised to examine its AML/CFT policy & procedures to ensure that the requirements contained in the AML Regulations are met in letter and spirit.

Penalty Order dated September 15, 2020 was passed by Executive Director (Adjudication-I).



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6. Penalty Imposed	A penalty of Rs. 250,000/- (Rupees two hundred and fifty thousand only) was issued to the Company.
7. Current Status of Order	An appeal has been filed against this Order.

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