

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

In the matter of Show Cause Notice issued to M/s. Backers & Partners (Pvt) Limited

Date of Hearing

February 13, 2020

Order-Redacted Version

Order dated March 24, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Backers & Partners (Pvt) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated January 27, 2020
2. Name of Company	Backers & Partners (Pvt) Limited
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. Backers & Partners (Pvt) Limited
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for violations of inter-alia Regulation 4(a), 6(3)(a), 6(4), 9(4)(b), 13(7) and 15(3) of 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 available record, written as well as oral submissions of the Respondent and its Authorized Representatives. In this regard, I observe that:</p> <ol style="list-style-type: none">a. With regard to the compliance of Regulation 4(a) and 13(7) of the AML Regulations, the Respondent contended that it has been performing screening of all individuals associated with a client but was not maintaining the documentary evidence at the time of inspection. The said contention is not tenable and is in contrary to the submitted stance. The Respondent in its response to Letter of Findings, informed that they have made screening through google but they could not maintain its evidence as there was no significant finding which could have an adverse impact on the client's profile or rating. In the absence of database of beneficial owners, joint account holder, nominee, Board members, trustees and office bearers etc., of its clients. The claim of performing of requisite screening cannot be entertained. Considering



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the fact that Respondent could not produce any documentary evidence in the hearing to substantiate its stance, therefore, I am of the view that Respondent was in contravention of Regulation 4(a) and 13(7) of the AML Regulations.

- b. In response to the letter of findings regarding compliance of Regulation 15(3) of the AML Regulations, the Respondent submitted that they have conducted the screening of the existing of customers database including their nominee/joint account/authorized persons/BOD and trustees but they have not maintained its evidence as there were no adverse finding which could have a negative impact on the clients profile or rating hence it has not been reported to the BOD of the company. Respondent further submitted that it shall make sure to file "Nil" reporting in future even if there is no adverse finding. Therefore, violation of Regulation 15(3) of the AML Regulations is evident.
- c. In reply to the Letter of Findings and the SCN regarding compliance of Regulation 6(4) the AML Regulations, the Respondent submitted that they verified the CNIC of the customers by comparing it with the original CNIC instead of verifying it from NADRA Verisys as mentioned in the said Regulations. Therefore, contravention of Regulation 6(4) of the AML Regulations is obvious. Subsequent to the hearing, the Respondent has provided an email dated February 3, 2020 as an evidence of registration with NADRA for online processing of identity document issued by NADRA.
- d. Authorized Representatives could not provide an evidence to substantiate that Respondent had duly identified beneficial owner of four clients highlighted by inspection team as envisaged in the regulatory framework. Therefore, the contravention of Regulation 6(3)(a) or the A MC Regulations on part of Respondent cannot be denied.
- e. In context of three clients highlighted by inspection team, Respondent has failed to provide an evidence to substantiate that Respondent had performed EDD of high risk marked customers in accordance with the AML Regulations, whereby, establishing/identifying appropriate source of funds/income of the respective client. Therefore, I am of the view that Respondent has contravened Regulation 9(4)(b) of the AML Regulations.



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	<p>In view of the foregoing and admission made by the Representatives, contraventions of the provisions of AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 475,000/- (Rupees four hundred seventy-five thousand) is hereby imposed on the Respondent, 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.</p> <p>Penalty order dated March 24, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 475,000/- (Rupees four hundred and seventy-five thousand) was imposed on 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.