



Securities and Exchange Commission of Pakistan

Adjudication Division
Adjudication Department-I

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

In the matter of Show Cause Notice issued to Spinzer Equities (Private) Limited

Dates of Hearing

January 18, 2021

Order-Redacted Version

Order dated January 21, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Spinzer Equities (Private) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated December 17, 2020
2. Name of Company	Spinzer Equities (Private) Limited
3. Name of Individual*	The proceedings were initiated against the company through chief executive officer i.e. Spinzer Equities (Private) Limited
4. Nature of Offence	Violation under Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "AML Regulations") read with section 40A of the Securities and Exchange Commission of Pakistan Act, 1997
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the submissions made in writing and during the hearing as well as issues highlighted in the show cause notice and requirements of the AML Regulations and of the Act. The facts of the case may be summarized as under:</p> <p>(i) The Respondent did not furnish any evidence of compliance of requirements of note (i) of Annexure-1 of Regulation 6(4) of the AML Regulations. In view of the facts that Regulations were promulgated in 2018, necessary steps were required to be taken to comply with the given requirements. As the Company has around 350 individual clients, for which NADRA Verisys is required. In absence of any documents available on record, the Respondent has violated the requirements of note (i) of Annexure-I of Regulation 6(4) of the AML Regulations.</p>



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(ii) The Respondent's reliance that clients were well known and the Respondent used to practice the monitoring of transaction of clients, does not exonerate the Respondent, from the given compliance requirements. Further, without necessary supporting documents, the claim of the Respondent regarding ongoing monitoring can not be accepted. Hence, in absence of any supporting documents furnished to the inspection team and during the course of the proceedings, violation of Regulation 6(3)(c) and Regulation 13(1) of the AML Regulations is attracted.

(iii) The Respondent could not exhibit that at the time of inspection that it was in possession of requisite documents substantiating source of income/funds in identified 7 cases by inspection team. The documents presented by the Respondent in response to SCN, reflect that (i) the aforesaid documents were obtained subsequent to the issues highlighted by the inspection team and (iii) document to demonstrate substantially sources of income / sources of funds, like tax return, evidences of salary or sources of business income, and for source of income of beneficial owners were not available. Hence, in view of the above, the Respondent has violated the given requirements of Regulation 6(3)(c) of the AML Regulations.

(iv) It was informed during the hearing that KYC/CDD forms and justification for "low risk" rating were maintained. The chief executive informed during the hearing that justification for low risk were documented subsequent to the issue highlighted by the inspection team. The Respondent, however, did not furnish any supporting documents in this regard. Hence, at the relevant time of inspection the Respondent was in non-compliance of the requirements of Regulation 11(2) of the AML Regulations.

(v) The Respondent through aforesaid reply has furnished that: *"As stated earlier, our system has been updated, which provides list on any date of the proscribed people, if and any, is registered with us, therefore, the fortnightly requirement is automatically fulfilled."* The Respondent, however, did not provide any evidence to ensure that it had conducted TFS screening of its clients, their nominees, authorized persons, joint account holders, beneficial owners. In absence of provision of related documents to substantiate compliance at the relevant time of inspection, the Respondent has violated the requirements of Regulation 13(7) and Regulation 15(3) of the AML Regulations.

(vi) The Respondent has furnished vide email dated January 18, 2021 a copy of AML Policy as updated on January 31, 2020 and



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	<p>copy of board resolution dated January 31, 2020. During the hearing, the Respondent could not provide any evidence of sharing that policy with the inspection team.</p> <p>(vii) The Respondent has admitted that delays of responses against 133 SROs made to AML Department and contended that delays were due to login problem of e-services of the Commission. The Respondent's admission is substantial evidence that the requirements of clause (iii) of SRO 245(1)/2019 dated February 22, 2019 and clause (D) of SRO 55(1)/2020 dated January 28, 2020 were violated.</p> <p>2. In view of the foregoing facts, I, am of the considered view that the Respondent has violated the requirements of the applicable requirements of AML Regulations as per aforesaid paras. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 270,000/- (Rupees two hundred and seventy thousand) is, hereby, imposed on the Respondent.</p> <p>3. The Respondent Company is directed to deposit the aforesaid penalty in the bank account of the Commission being maintained in the designated branches of MCB Bank Limited within 30 days of the date of this Order and furnish original deposit challan to the Commission forthwith.</p> <p>4. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.</p> <p>Penalty order dated January 21, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 270,000/- (Rupees two hundred and seventy thousand) was imposed on the respondent.
7. Current Status of Order	Appeal.no. 58/2021 has been filed by the respondent.