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# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

Order	
Name of Company:	Prime Securities (Private) Limited
Show Cause Notice No. & Issue Date:	No. 2(280)SMD/Adj/2021-347 dated February 10, 2025
Date(s) of Hearings:	March 27, 2025
Present at the Hearing:	Mr. Kashif (Assistant Compliance Officer) ( <i>Authorized Representative</i> )
Provisions of law involved:	Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 read with Section 6(A)(2)(h) of The Anti-Money Laundering Act, 2010 and Rule 4(1)(a) and 6(1) of the AML/CFT Rules, 2020
Date of Order:	April 10, 2025

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. 2(280)SMD/Adj/2021-347 dated February 10, 2025 (the "SCN") by the Securities and Exchange Commission of Pakistan (the Commission) against Prime Securities (Private) Limited (the "Company") on account of alleged contravention of Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 (the "AML Regulations") read with Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (the "AML Act") and Rule 4(1)(A) and 6(1) of the AML/CFT Sanction Rules, 2020 (the "AML/CFT Rules").

2. The Company is a Trading Rights Entitlement Certificate (TREC) holder of Pakistan Stock Exchange Limited (the "PSX") and is a regulated person as per Clause (r) of regulation 3(1) of the Regulations.

3. The brief facts of the case are that an inspection of the Company was carried out by the Joint Inspection Team (JIT), comprising officials from PSX, CDC and NCCPL, for the period November 01, 2022 to October 31, 2023 (the "Inspection Period"), to ascertain the compliance status with the AML Regulations. The inspection report dated December 11, 2024 (the "Inspection Report") reveals that the Company was, *prima facie*, found non-compliant with the provisions of the AML Regulations in the following manner:

- i. The Company failed to perform KYC/CDD of the following clients in contravention of Regulation 9(b) read with Note (i) of Annexure-1 of the AML Regulations:

Sr. #	Client Code
1	Z23
2	1751
3	4635

4	7075
5	4713

- ii. The Company failed to identify source of wealth/ funds of the beneficial owners of the following clients in contravention of Regulation 11 read with note (i)(o) and (p) of Annexure-1 of the AML Regulations.

Sr. #	CDC A/c. No.
1	11461
2	11503

- iii. The Company failed to perform NADRA Verisys of the following clients in contravention of Regulation 9 read with Note (ii) of the Annexure-1 of the AML Regulations:

Sr. #	Client Code
1	223
2	1751
3	4635
4	7075
5	4713
6	102
7	4718

4. The aforementioned non-compliances attract the applicability of Regulation 31 of the AML Regulations read with Section 6(A)(2)(h) of the AML Act and Rule 4(1)(a) and 6(1) of the AML/CFT Rules.

5. While taking cognizance of the matter, a SCN dated February 10, 2025 was served upon the Company, calling it to explain in writing, within 14 days of the date of the SCN, as to why penal action may not be undertaken for the aforesaid alleged violation of the AML Regulations.

6. The Company vide letter dated February 10, 2025 submitted written reply to the SCN, wherein the Company *inter alia* submitted as under:

- i. The Company is in practice of performing KYC/CDD and provided copies of the KYC/CDD forms of five clients mentioned in the SCN.
- ii. The Company has identified beneficial owner of the clients mentioned in the SCN and provided the KYC/CDD forms of the two clients.
- iii. NADRA Verisys for few clients could not be performed as their accounts are closed and others are old clients that are not in contact, however, provided copies of NADRA Verisys, account closing letters and CDC reports of the clients.

7. In order to provide the Company an opportunity of personal representation, hearing in the matter was scheduled for March 27, 2025 through zoom link on which date Mr. Kashif (Assistant Compliance Officer) appeared as the Authorized Representative (the "Authorized

**Representative”)** on behalf of the Company. The Authorized Representative reiterated the stance as taken vide letter dated February 10, 2025.

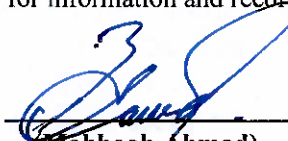
8. I have given due consideration to the written as well as verbal submissions and arguments extended by the Company through its Authorized Representative, applicable provisions of the law and the material available on record. At this juncture, it is essential to address the following factual and legal elements:

- i. The Company submitted KYC/CDD forms in respect of five clients mentioned in the SCN, wherein sources of income stated as "Service" "Business" and "Housewife". However, no supporting documentary evidence has been provided to substantiate the declared sources of income or to establish the clients' salary, business or investment income. Merely mentioning of the word such as "Business, Service and Housewife" on the KYC/CDD forms is not adequate to justify the source of earnings/income of the clients. The Company has failed to provide evidence to substantiate that it has obtained the source of earning/ income for trading in the securities by the afore-said clients, thereby, constitutes contravention of Regulation 9(b) read with note (i) of Annexure-I of the AML Regulations.
- ii. With regard to the non-identification of the source of wealth/ funds beneficial owner of the two client accounts, the following is noted:
  - a. The Company has identified the beneficial owner of the client (CDC Sub A/c No. 11461) as the client's father and submitted the tax return of the father for the period July 2018 to June 2019 (TY2019). The client held custody of securities amounting to Rs. 4.267 million during the inspection period as compared to investment of Rs. 10.9 million in TY 2019 i.e. there is decrease in investment in securities. The tax return for the TY2019 adequately justify the investment for trading in securities by the client. Hence, the Company is not held accountable in the matter.
  - b. The Company has identified the beneficial owner of the client (CDC Sub A/c No. 11503) as the client's spouse and submitted the spouse's tax return for the period July 2017 to June 2018 (TY2018). The client held custody of Rs. 0.62 million during the inspection period. The tax return for TY 2018 reflects dividend income of Rs. 0.415 million, thereby, adequately justify the investment for trading in securities by the client. Hence, the Company is not held accountable in the matter.
- iii. With respect to NADRA Verisys of the clients of seven clients, the Company submitted the NADRA Verisys report for only one client which pertains to a period prior to the inspection. For two clients, the Company submitted account closing reports indicating that their accounts were closed after the inspection period. However, the Company failed to provide any evidence of NADRA Verisys for the remaining four clients. During the hearing proceedings and in its response to the inspection team, the Company claimed that these accounts were old and inactive, which is why the Verisys could not be performed. Contrary to this assertion, the inspection team observed that these client accounts were active and involved in trading during the inspection period. Therefore, the Company's claim that the clients were not in contact is untenable. The Company has failed to conduct

NADRA Verisys in respect of these clients, which is in violation of Regulation 9(b) read with Note (ii) of Annexure-I of the AML Regulations.

9. In view of foregoing, the contraventions of Regulations 9 and 11 read with Annexure-I and of the AML Regulations have been established which attract the applicability of Section 6A(2)(h) of the AML Act and Rules 4(1)(a) and 6(1) of the AML Rules read with Regulation 31 of the AML Regulations. I, therefore, in terms of powers conferred under Section 6A(2)(h) of the AML Act read with Regulation 31 of the AML Regulations and S.R.O. 827(1)/2022 dated June 09, 2022, impose a penalty of **Rs. 110,000/- (Rupees One Hundred and ten Thousand Only)** on the Company on account of established default.

10. The Company is hereby directed to deposit the aforesaid fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and furnish receipted voucher issued in the name of the Commission for information and record.



(Mahboob Ahmad)

Head of Wing (Adjudication Department-1)  
Adjudication Department-I

**Announced:**  
April 10, 2025  
Islamabad.