



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

Before  
**Mahboob Ahmad, Additional Director/Head of Wing**  
**(Licensed Entities-Adjudication Department-I)**

In the matter of

#### H.G MARKETS (PRIVATE) LIMITED

|                                     |  |
|-------------------------------------|--|
| Show Cause Notice No. & Issue Date: | 1(1)SMD/Adj-1/PMEX/2018<br>dated June 28, 2024   |
| Date(s) of Hearings:                | July, 19 2024  |
| Present at the Hearing              | Mrs. Shameena Ashraf (Manager Legal & Compliance)<br>Mr. Mobeen Ahmad Gillani (Compliance Officer)<br>(Authorized Representatives) |

### ORDER

#### UNDER REGULATION 31 OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (ANTI MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM) 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 SANCTION RULES, 2020

This Order shall dispose of the proceedings initiated through the Show Cause Notice dated June 28, 2024 (the SCN) by the Securities and Exchange Commission of Pakistan (the Commission) against H.G Markets (Private) Limited (the Respondent and/or the Company) on account of alleged contravention of SRO 920(I)/2020 dated September 28, 2020 (the SRO 920) under Regulation 31 of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the AML/CFT 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 Sanctions Rules, 2020 (the AML/CFT Rules).

2. The Company is an active Trading Right Entitlement Certificate (TREC) holder of Pakistan Mercantile Exchange Limited (PMEX). The principal activities of the Company are to carry on the business of brokers, traders, dealers and representatives in all sort of approved commodities of PMEX. The Company is a regulated person as per definition stated at Clause (r) of Regulation 3(1) of the AML/CFT Regulations. The review of the Respondent was carried out by the inspection team of PMEX for the period January 01, 2023 to December 31, 2023.

3. During the review, it was transpired that the Respondent, *prima facie*, failed to submit compliance status reports in 37 instances (Annexure A) within the timeline prescribed under Clause D of the SRO read with regulation 25 of the AML/CFT Regulations on SECP e-Services Portal.

4. The aforementioned non-compliances attract the applicability of Regulation 31 of the AML/CFT 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. The relevant provisions are reproduced as under:

#### ***SRO 920(I)/2020 dated September 28, 2020:***

*"D. Compliance report on Statutory Regulatory Orders issued by the Ministry of Foreign Affairs under United Nations (Security Council) Act, 1948 or intimation from National Counter Terrorism Authority /Law Enforcement Agencies/Home Departments of Provinces/Ministry of Interior regarding updates in the list of proscribed person(s)/entity(ies) under the Anti-Terrorism Act, 1997, shall be submitted to the Commission within forty-eight (48) hours of receiving the same in the manner as may be instructed from time to time by the Commission.*



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I  
Adjudication Division

...

*Any person to whom this directive applies and who contravenes or fails to comply with the requirements of this directive or submits a return which is false in a material respect or where under a misstatement is made shall be liable to sanction in accordance with AML/CFT Sanctions Rules, 2020 issued under the AML Act, 2010 and imposed by the Commission according to section 6A of the AML Act."*

**Regulation 25 of the AML/CFT Regulations:**

*"(1) The regulated person shall undertake TFS obligations under the United Nations (Security Council) Act 1948 and/or Anti-Terrorism Act 1997 and any regulations made there under, including: (a) develop mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential matches with the stated designated/proscribed persons in the SROs and notifications issued by MOFA, NACTA and MOI."*

**Regulations 31 of the AML/CFT Regulations**

*"(1) Any contravention of these regulations shall be cognizable by the Commission in accordance with section 6A of the AML Act and liable to sanction provided in the AML/CFT Sanctions Rules, 2020 and imposed by the Commission according to Clause (h) of Sub-section (2) of Section 6A of AML Act."*

**Section 6(A)(2)(h) of the AML Act:**

*"(h) impose sanctions, including monetary and administrative penalties to the extent and in the manners as may be prescribed, upon their respective reporting entity, including its directors and senior management and officers, who violates any requirement in section 7(1), 7(3) to 7(6) and 7A to 7H and any rules or regulations made thereunder or those who fail to comply with the TFS regulations. Any person aggrieved by the imposition of sanctions under this clause may prefer an appeal in such manner and within such period to such authority as may be prescribed;"*

**Rules 4(1)(a) of the AML/CFT Rules:**

*"(a) Impose a monetary penalty in accordance with these Rules;"*

**Rule 6(1) of the AML/CFT Rules:**

*"(1) The AML/CFT Regulatory Authority shall apply monetary penalties upto Rs. 100 Million per violation, in accordance with the risk-based penalty scale of the respective AML/CFT Regulatory Authority."*

5. While taking cognizance in the aforesaid matter, the SCN was issued to the Respondent, calling upon it to show cause in writing as to why penalty as provided under Regulation 31 of the AML/CFT Regulations read with Rules 4(1)(a) and 6(1) of the AML Rules and Section 6(A)(2)(h) of the AML Act, may not be imposed on it for contravening the aforementioned provisions of the law. In response to the SCN the Respondent vide its letter dated July 03, 2024 has submitted that:

*"According to the Regulations, the compliance status report must be submitted within 48 business hours (2 days) from the time it is uploaded to the SECP eServices Portal.*

*In several instances, we encountered delays not due to our internal processes but because the SRO's were not uploaded to the SECP eServices Portal in real-time, despite us receiving the notification emails. At is crucial to clarify that responding to these notification emails does not constitute an official submission. We are required to wait for the actual upload on the eServices Portal before we can engage and proceed with the necessary actions.*

*The delays experienced can be categorized as follows:*

2nd Floor, NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad, Pakistan  
PABX: +92-51-9195000-2, Web: www.secp.gov.pk



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I  
Adjudication Division

- Out of 37 instances, 25 instances took 3 days to submit the compliance status report.
- 6 instances took 4 days.
- 2 instances took 5 days.
- 4 instances took 7 days

*The delays were solely due to the time gap between receiving the email notifications and the actual uploading of the SRO's on the SECP eServices Portal. We want to emphasize that our team is fully committed to complying with the submission timelines. We promptly engage with the SROs and prepare the necessary reports as soon as the documents are available on the SECP eServices Portal, irrespective of the dates on which we receive the email notifications.*

*We understand the importance of adhering to the 48 business hours submission requirement and have consistently demonstrated our commitment to this timeline whenever the SRO's are uploaded in a timely manner. Our goal is to ensure full compliance and to improve our processes continually.*

*In view of the above elaboration, we firmly affirm that we have made conscious efforts to comply with all the regulatory requirements."*

6. In order to provide the Respondent an opportunity of personal representation, hearing in the matter was fixed for July 19, 2024 which was attended by Mr. Mobeen Ahmad Gillani, Compliance Officer and Ms. Shahmeena Ashraf, Manager Legal and Compliance at its Authorized Representatives (**the Representatives**). During the course of hearing, the Representatives were advised to explain the reasons for the alleged non-compliances, as narrated in the SCN. The Representative reiterated the same stance as taken in response to the SCN. The Representatives additionally submitted as under:

1. *The delay was mainly due to the time gap between receiving the email notifications and actual uploading of the SRO's on SECP eServices Portal.*
2. *When inquired regarding the proof of delayed uploading of SROs on SECP eServices Portal, the Representatives failed to provide any documentary evidence.*

7. I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondent and its Representative. At this juncture, it is essential to address the following:

- a. The Respondent did not make timely compliance of 37 instances within 48 hours with respect to Regulation 25 of the AML/CFT Regulations, as outlined in Clause D of SRO 920. It is obligatory on the part of the Respondent to ensure timely submission of compliance reports, being a Regulated entity, which the Respondent failed to comply with. The record available with this office transpires that the Respondent failed to upload the SRO compliance status in a timely manner as required under Clause D of SRO 920.
- b. It has been observed from the record available with the Commission that a delay of three (3) to seven (7) days was observed in submitting compliance reports with respect to Clause D of SRO 920. The delays of three to seven days in uploading compliance reports are significant, especially given the stringent 48-hour requirement. Such delays undermine the effectiveness of regulatory oversight and the integrity of the compliance process. The Respondent's explanation of technical difficulties does not absolve them of their responsibility to ensure timely compliance. As a regulated entity, it is their duty to have contingency plans in place for such scenarios.
- c. It is pertinent to mention here that email notifications for SRO compliance are sent after the SROs are uploaded to the SECP eServices Portal. Furthermore, the Respondent failed to provide any supporting evidence in respect of existence of technical issue in the SECP eServices Portal faced by Respondent.



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

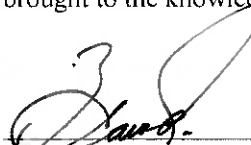
Adjudication Department-I  
Adjudication Division

8. In view of the foregoing and the admission made by the Representative, non-compliances/contravention of Regulation 25 of the AML/CFT Regulations read with clause D of the SRO 920 have been established, which attract the applicability of Regulation 31 of the AML/CFT Regulations read with Rules 4(1)(a) and 6(1) of the AML Rules and Section 6A(2)(h) of the AML Act. Therefore, I, in terms of powers conferred upon me under 6A(2)(h) of the AML Act, impose a penalty of **Rs. 100,000/- (Rupees One Hundred Thousand only)** on the Respondent on account of established default.

9. The Respondent is also advised to ensure meticulous compliance with all applicable laws of Anti Money Laundering and Countering Financing of Terrorism in true letter and spirit, henceforth.

10. The Respondent 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.

11. This Order is issued without prejudice to any other action that the Commission may initiate against the Company and/or its CEO in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

  
(Maqbool Ahmad)

Additional Director / Head of Wing  
Licensed Entities - Adjudication Department-I

**Announced:**

August 06, 2024  
Islamabad