



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

M.M Securities (Private) Limited

Show Cause Notice No. & Issue Date:	No.2(208)SMD/Adj-I/2020 dated June 25, 2024
Date(s) of Hearings:	July 19, 2024
Present at the Hearing Representing the Respondent	Syed Muhammad Rehan (Compliance Officer)

ORDER

UNDER REGULATION 31 OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (ANTI MONEY LAUNDERING & COUNTERING FINANCING OF TERRORISM) REGULATIONS, 2020 READ SECTION 6(A)(2)(h) OF THE ANTI MONEY LAUNDERING ACT, 2010 AND RULE 4(1)(a) AND 6(1) OF THE AML/CFT SANCTIONS RULES, 2020

This Order shall dispose of the proceedings initiated through the Show Cause Notice (**the SCN**) No.2(208)SMD/Adj-I/2020 dated June 25, 2024 by the Securities and Exchange Commission of Pakistan (**the Commission**) against M.M Securities (Private) Limited (**the Respondent and/or the Company**) for alleged contravention of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Countering Financing of Terrorism) Regulations, 2020 (**the AML/CFT Regulations**) under Regulation 31 of the AML/CFT Regulations read with Rule 4(1)(a) And 6(1) of the AML/CFT Sanction Rules, 2020 (**the AML Rules**) and Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (**the AML Act**).

2. **AND WHEREAS**, the Respondent was, *prima facie*, found non-compliant with the provisions of Regulation 27(1)(d) of the AML/CFT Regulations detailed as under:

a. The Respondent did not have an independent audit function to test its AML/CFT systems in contravention of Regulation 27(1)(d) of the AML/CFT Regulations.

3. The aforesaid violations attract 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.

4. Keeping in view the aforesaid contraventions, the SCN was issued to the Respondent, calling upon it to show cause in writing as to why the penalty as provided under Section 6A(2)(h) of the AML Act, may not be imposed on it for the aforementioned contraventions of the law.

5. In response to the SCN, the Company through letter dated July 01, 2024 submitted on merits as under:

"This is to inform you that we have an Independent Audit function and compliance department to implement AML/CFT regulation and AML/CFT Policies and procedure We have already appointed Mr. Syed Mohammad Rehan as Compliance Officer and Rashid Mahmood Nasir as Internal Auditor. Both of them perform independent audit functions and report on a monthly and quarterly basis and inform the management. Attached to this letter the



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corporate resolution for appointment of Compliance Officer and International Auditor along with the duties of Compliance Officer. A copy of the monthly and quarterly review report is also attached."

6. The hearing in the matter was fixed for July 19, 2024 wherein Syed Muhammad Rehan, Compliance Officer appeared before the undersigned Authorized Representative (**Representative**) on behalf of the Company. During the course of hearing, the Representatives reiterated their stance as provided in its reply to the SCN and submitted as under:

- The Representative admitted that during the review period, there was no independent internal audit function.
- Compliance Officer was also performing the duties of internal auditor however, the same was not adequately documented.
- An internal auditor was appointed subsequent to the review period vide corporate resolution dated September 22, 2023.

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 and I have observed that:

Regulation 27(1)(d) of the AML/CFT Regulations mandates that regulated entities must implement policies, procedures, and controls that include an independent audit function to test their AML/CFT systems. This is a non-negotiable requirement aimed at ensuring the effectiveness and robustness of AML/CFT controls. The intent of this regulation is to ensure that AML/CFT systems are subject to regular, unbiased scrutiny to identify and address any weaknesses or non-compliance issues promptly. The Respondent has acknowledged in their reply to the Show Cause Notice that they did not have an independent audit function during the review period. This admission clearly indicates non-compliance with Regulation 27(1)(d) of the AML/CFT Regulations.

Subsequent to the review period, the Respondent has appointed internal auditor vide corporate resolution dated September 22, 2023 and also submitted copy of internal audit report pertaining to post review period. It is important to note that the regulatory requirements are continuous and any gaps in compliance can have serious repercussions. The appointment of an internal auditor post-review period, while a step in the right direction, does not negate the initial failure to comply with Regulation 27(1)(d). Regulatory compliance is not retroactive, and remedial actions taken after a violation does not erase the fact that the violation occurred.

8. In view of the foregoing facts and the submissions made by the Representative, contraventions of the afore-stated provisions of AML Regulations have been established, which attract imposition of penalty under 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. Hence, in exercise of the powers conferred under upon me, I hereby impose penalty of **Rs. 200,000 /- (Rupees Two Hundred Thousand Only)** on the Company on account of the aforesaid conceded and established non-compliances of aforesaid provisions of the law.

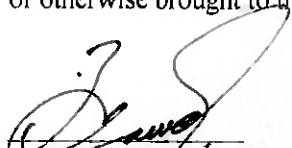
9. The Company is hereby directed to deposit the aforementioned fine in the designated Bank Account maintained in the name of the Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days of the date of this Order and furnish receipted voucher evidencing payment of the same.



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10. 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.



(Mansoor Ahmad)

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

Announced

August 09, 2024
Islamabad

