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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

**Adjudication Department- I**

**Adjudication Division**

**Order**

*In the matter of*

**Spinzer Equities (Private) Limited**

Show Cause Notice No. 2(254)SMD/Adj-1/2020-69 dated September 02,  
& Issue Date: 2024  
  
Date of Hearing: October 02, 2024  
  
Present: Mr. Muhammad Liaquat Ali Khan, Chief Executive  
Officer; as the Authorized Representative.

**UNDER 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 SANCTION RULES, 2020**

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. 2(254)SMD/Adj-1/2020-69 dated September 02, 2024 (**the SCN**) by the Securities and Exchange Commission of Pakistan (**the Commission**) against Spinzer Equities (Private) Limited (**the Respondent and/or the Company**) on accounts of alleged contraventions of Regulations 9, 11, 25(1)(a) and 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/CFT/CPF Regulations**) read with Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (**the AML Act**) and Rules 4(1)(a) and 6(1) of the AML/ CFT Sanctions Rules, 2020 (**the AML/CFT Rules**). The Respondent is a Trading Right Entitlement Certificate (TREC) holder of Pakistan Stock Exchange (PSX).

2. The brief facts of the matter are that an inspection was carried out by Joint Inspection Team (JIT) comprising officials from PSX, Central Depository Company of Pakistan Limited (CDC) and National Clearing Company of Pakistan Limited (NCCPL) for ascertaining the compliance status of the Respondent with the requirements of the AML/CFT/CPF Regulations for the period **November 01, 2022 to October 31, 2023** (**the Inspection Period**), which revealed that the Respondent, *prima facie*, failed to comply with the following legal requirements:

- a) Regulation 9 read with Note (i)(o) of Annexure-I of the AML/CFT/CPF Regulations, as it did not verify the identity of two (2) highlighted clients mentioned below by using the reliable source and independent documents i.e. valid source of earnings/income:

Sr. #	CDC A/c. No.	Client Code
1	9245	2040
2	7785	1228

- b) Regulation 11 of the AML/CFT/CPF Regulations, as it did not identify Beneficial Owner (BO) in case of 63 clients (list provided in Annexure-I of SCN) and also did not perform the screening on BO of clients in order to take reasonable measures to verify the identity of BO by

using reliable and independent document, data or sources of information as set out in Annex 1 of the AML/CFT/CPF Regulations.

- c) Regulations 25(1)(a) of the AML/CFT/CPF Regulations, as it did not perform screening procedures at the time of account opening for the two (2) highlighted clients mentioned below:

Sr. #	CDC A/c. No.	Screening Status
1	9005	Not performed
2	9039	Not performed

- d) Regulation 5(a) of the AML/CFT/CPF Regulations, as it provided board approval relating to the AML/CFT policy dated December 22, 2016. However, did not provide board approval relating to the AML/CFT policy subsequent to promulgation of AML/CFT/CPF Regulations in 2018 and later amended in 2020 and 2023.

3. Accordingly, the SCN was issued to the Respondent, calling upon it to show the cause in writing as to why penalty as provided under Regulation 31 of the AML/CFT/CPF 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 above-mentioned provisions of the law. In response to the SCN, the Chief Executive Officer (CEO) of the Respondent vide letter dated September 16, 2024, submitted supporting documents in respect of followings:

- i) Valid source of income of two (2) instances mentioned in the SCN;
- ii) BO status of 63 clients; and
- iii) Screening of two (02) instances mentioned in the SCN.

4. In order to provide the Respondent an opportunity of personal representation, hearing in the matter was fixed for October 02, 2024 which was attended by Mr. Muhammad Liaquat Ali Khan-CEO, as its Authorized Representative (**the Representative**). During the course of hearing, the Representative explained reasons for the alleged non-compliances, as narrated in the SCN. The Representative reiterated the same stance as taken in earlier letter dated vide letter dated September 16, 2024 and stated that the Respondent has been complying with the requirements of the AML/CFT/CPF Regulations diligently for which a lenient view may be taken.

5. Subsequent to the hearing, the Representative vide letter dated October 04, 2024 made additional submissions as under:

- i) Legible copy of salary slip of CDC Account # 7785;
- ii) Account creation information of CDC Accounts # 9005 and 9039;
- iii) Board Resolutions dated November 22, 2018, October 12, 2020 and October 05, 2023 with respect to AML/CFT policy; and
- iv) Undertaking/Affidavit of the clients identified as BO.

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

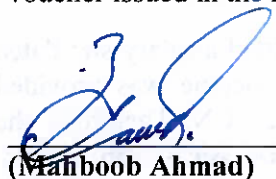
- i) With respect to the verification of source of income, the Respondent subsequent to the SCN provided evidence pertaining to two clients mentioned in the SCN. For the client with **CDC A/c # 9245**, the evidence provided includes salary slip dated **February 23, 2021**, which demonstrates that the Respondent had verified the client's source of income. However, it is noted that this was not made available to the Inspection team during the Inspection Period.



- ii) In case of the client with **CDC A/c # 7785**, the Respondent submitted a salary slip dated **June 11, 2024**. This evidence demonstrates that the source of income was provided subsequent to both the Inspection Period and the issuance of the SCN. Therefore, the Respondent has failed to verify the source of income of client with **CDC A/c # 7785**; thereby contravening Regulation 9 read with Note (i)(o) of Annexure-I of the AML/CFT/CPF Regulations.
- iii) With respect to identification and verification of BO of clients, the Respondent submitted evidence, including database records and affidavits, relating to the identification and verification of BO of 63 clients. The evidence provided demonstrates that the Respondent had identified and verified the BOs. Although the BO details were not available on the database at the time of inspection, the dates on the affidavits demonstrates that the Respondent had identified and verified the BOs of its clients.
- iv) In respect of client with **CDC A/c # 8767**, discrepancies were noted. The database incorrectly listed the client as BO under the entry "himself," whereas the affidavit submitted by the client specifies that the source of income is "supported by his father." Despite this inconsistency, the database entries for all other clients were backed by corresponding affidavits. Therefore, the Respondent, except for the discrepancy in CDC A/c # 8767, is compliant with Regulation 11 of the AML/CFT/CPF Regulations.
- v) With respect to the screening performed at the time of account opening, the Respondent submitted evidence, including data screening documents and account opening forms for the highlighted clients (**CDC A/c # 9005 and 9039**). However, this evidence does not substantiate that the Respondent conducted the required screening of the client at the time of account opening.
- vi) The screening documents provided by the Respondent lack essential details such as the date of screening, CDC account number, and the name of the clients. In the absence of these key elements, it cannot be established that the screening was performed for the aforementioned clients at the time of account opening. Therefore, the Respondent has contravened with the requirements of Regulation 25(1)(a) of the AML/CFT/CPF Regulations.
- vii) With respect to the Board approval relating to the AML/CFT policy, the Respondent submitted evidence including Board Resolutions dated **November 22, 2018, October 12, 2020, and October 5, 2023**. These resolutions demonstrate that the Respondent had kept its AML/CFT policy updated in line with the amendments to the AML/CFT/CPF Regulations. The afore-said Board approvals were not provided during the Inspection Period to the Inspection team. However, the dates of the submitted Board Resolutions substantiate that the requisite approvals were obtained in a timely manner. Therefore, the Respondent is compliant with Regulation 5(a) of the AML/CFT/CPF Regulations.

7. In view of the foregoing, non-compliances/contraventions of Regulation 9 read with Note (i)(o) of Annexure-I and Regulation 25(1)(a) of the AML/CFT/CPF Regulations 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. I, therefore, hereby, in terms of powers conferred under Section 6(A)(2)(h) of the AML Act read with Regulation 31 of the AML/CFT Regulations read with S.R.O. 827(I)/2022 dated June 9, 2022, impose a penalty of **Rs.50,000/- (Rupees Fifty Thousand only)** on the Respondent on account of established default.

8. 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.



(Mahboob Ahmad)

Additional Director / Head of Wing

Licensed Entities - Adjudication Department-I

**Announced:**

December 27, 2024

Islamabad