



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

#### Order

In the matter of

#### AKD SECURITIES LIMITED

Show Cause Notice No.  
& Issue Date:

1(164)SMD/Adj-1/KHI/2019-87  
dated September 19, 2024

Date(s) of Hearing(s):

November 13, 2024

Present at the Hearing

- i. Mr. Muhammad Farid Alam, FCA, CEO
- ii. Mr. Zafar Ahmed Khan, CFO
- iii. Mr. Danish Haseeb, Head of Compliance and Risk
- iv. Mr. Atta Ur Rehman, Assistant Manager, Compliance

**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. 1(164)SMD/Adj-1/KHI/2019-87 dated September 19, 2024 (the SCN) by the Securities and Exchange Commission of Pakistan (the Commission) against AKD Securities Limited (the Respondent and/or the Company) on account of alleged contravention of Regulation 19 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 Regulation 31 of the AML/CFT/CPF Regulations, 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). 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 official from PSX, CDC and NCCPL for the period January 01, 2023 to December 31, 2023 to ascertain compliance with AML/CFT/CPF Regulations. The provision of Regulation 19 of AML/CFT/CPF of Regulations requires on-going due diligence in respect of clients to ensure that the transactions being conducted are consistent with the regulated person's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds. The JIT in the inspection report dated June 07, 2024 shared with the Respondent reported as under:

- i. The CDC sub account # 279797 (**Client**) was opened on December 06, 2021 with occupation mentioned as "Service" in the online KYC application form. The client had custody of shares valued at Rs. 54.1 million and performed net trade (buy) of Rs. 47.1 million during the inspection period.;
- ii. The Company provided a salary slip of the Client showing a net salary of Rs. 50,000 per month and a copy of Tax Return for the period ended June 30, 2023 reflecting therein a cash possession of Rs. 6.1 Million and gifts amounting to Rs. 1 million which did not commensurate with the level of custody and transactions in the Client's account. The Company was asked to provide its comments on the aforesaid observation.
- iii. In response the Company submitted that due diligence is conducted at the time of account opening and then trading transactions are monitored and information is sought periodically. In the subject case, when the Client's trading account size increased, the matter was taken up with the Client specifically in relation to source of funds and the Client informed that he will provide tax return for the year 2024 which will corroborate with the size of his trading account once filed.
- iv. In view of the above, the Company did not have the source of income that commensurate with the custody position of the client and *prima facie*, failed to carry out ongoing monitoring of the Client in contravention of Regulation 19 of the AML/CFT/CPF Regulations.

3. Taking cognizance of the matter, a SCN was issued to the Respondent, calling upon it to show the cause as to why penalty provided under Regulation 31 of the AML/CFT/CPF 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, 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 October 29, 2024, *inter alia*, submitted as under:

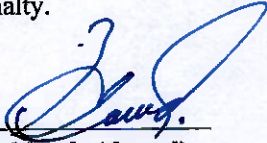
- i. In accordance with policy and modus operandi, comprehensive due diligence is conducted ab initio at the time of account opening. Furthermore, the Client's trading transactions are regularly monitored based on assigned trading limits, which are determined in accordance with the Client's financial profile and additional information is periodically sought to verify the same.
- ii. The Client in addition to a salary slip, as proof of income/fund has provided his wealth statement for the tax year 2023 filed with the Federal Board of Revenue (FBR).
- iii. As part of due diligence procedures, on increasing the size of Client's trading account, additional information was sought regarding his source of funds. The client submitted that he will provide wealth statement for the year 2024, which will clarify his wealth and financial position. Subsequently he provided wealth statement for the financial year 2024, which corroborate with his wealth.

4. In order to provide the Respondent an opportunity of personal representation, hearing in the matter was fixed for November 13, 2024 which was attended by Mr. Muhammad Farid Alam (CEO), Mr. Zafar Ahmed Khan (CFO), Mr. Danish Haseeb (Head of Compliance and Risk), and Mr. Atta Ur Rehman (Assistant Manager, Compliance) as its Authorized Representatives (**the Representatives**) through Zoom link facility. During the course of hearing, the Representatives were advised to explain the reasons for the alleged non-compliances, as narrated in the SCN. The Representatives reiterated the stance as taken in response to the SCN.

5. 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 the Representatives. At this juncture, it is important to discuss the following legal and factual elements:

- i. The Regulation 19 of AML/CFT/CPF Regulations requires on-going due diligence in respect of clients to ensure that the transactions being conducted are consistent with the regulated person's knowledge of the customer, their business and risk profile, including where necessary, the source of funds;
- ii. On increasing the Client's account size, the Respondent sought additional information from Client in respect of source of funds and the Client apprised that he shall provide a wealth statement of tax year 2024 which will clarify his wealth and financial position.
- iii. The Respondent provided tax return for the tax year 2024 which reflects net assets of Rs. 95.76 million, thereby, commensurate with the transactions and custody of the Client account.

6. In view of the foregoing and the submissions made by the Representative, I have concluded that the Respondent has provided evidence reflecting compliance with the requirements of Regulation 19 of the AML/CFT/CPF Regulations. I, therefore, in terms of powers conferred upon me under 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, hereby conclude the proceedings initiated through the SCN against the Respondent without imposing any penalty.



(Mahboob Ahmad)  
Additional Director  
Head of Wing - Adjudication Department-I

**Announced:**  
December 27, 2024  
Islamabad

