



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Order	
Name of the Company:	Bawa Securities (Private) Limited
Show Cause Notice No. & Issue Date:	1(153)SMD/Ad-I/KHI/2019-81 dated September 18, 2024
Date(s) of Hearing(s):	November 12, 2024
Present at the Hearing(s):	Muhammad Hanif – Chief Executive Muhammad Shafi - Consultant
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 Sanction Rules, 2020

This Order shall dispose of the proceedings initiated through the Show Cause Notice dated September 18, 2024 (**the SCN**) by the Securities and Exchange Commission of Pakistan (**the Commission**) against Bawa Securities (Private) Limited (**the Company**) on account of alleged contravention of Regulation 11 read with Regulation 31 of Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 (**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 Sanctions Rules, 2020 (**the AML/CFT Rules**).

2. Brief facts of the case are that and inspection of the Company was carried out by the Joint Inspection Team (JIT) for the period **February 01, 2024 to April 30, 2024 (the Review Period)** to ascertain the compliance status with the AML/CFT/CPF Regulations. The letter of findings (LOF) in respect of the inspection was shared with the Company vide letter dated May 24, 2024. During the review period, it was observed that the Company was, *prima facie*, non-compliant with Regulation 11 read with Note (i)(o) of Annexure-I of AML/CFT Regulations and Sr. No. 2 of Annexure-1 of AML/CFT Regulations as the Company failed to obtain evidence of source of income/funds/beneficial ownership of following two clients:

- Client No.1: house-wife (**CDC Sub A/c. No. 12206**) with a net custody of securities amounting to Rs. 11.4 Million during the review period wherein the Company failed to obtain her source of income and details of beneficial ownership. Further, KYC/CDD of the joint account holder was not carried out.
- Client No. 2: housewife (**CDC Sub A/c. No. 16048**) with net custody of securities amounting to Rs. 2.1Million during the review period wherein the Company failed to obtain details of her source of income and beneficial ownership.

3. The aforementioned non-compliances attract the applicability of 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.

4. While taking cognizance in the aforesaid matter, the SCN was issued to the Company, 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 aforementioned provisions of the law. In response to the SCN the Company, vide its letter dated October 14, 2024, submitted as under:

- i. The proof of income of the above said two (2) clients could not be found from our record during the inspection, which were traced-out subsequent to our response to the Inspection team's letter. Copy of Tax Returns as proof of income of both clients were provided as attachment to the reply.

5. In order to provide the Company, an opportunity of personal representation, hearing in the matter was fixed for November 12, 2024 which was attended by Mr. Muhammad Hanif (Chief Executive) and Mr. Muhammad Shafi (Consultant) as its Authorized Representatives (**the Authorized Representatives**). During the course of hearing, the Representatives explained reasons for the alleged non-compliance, as narrated in the SCN. The Representatives stated that due to unavailability of the compliance officer, record was not traced and provided to the inspection officer which was later submitted to the Commission as annexed to the company's letter dated October 14, 2024 in response to SCN.

6. 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 Company and Authorized Representatives. At this juncture, it is essential to address the following:

i. **Client 1 (Sub A/c No. 12206):**

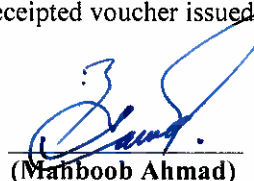
The Company in its written reply has submitted Tax Returns of the client and her husband. However, it does not correspond to the inspection period and the same was not produced at the time of inspection. The Client had significant custody of Rs. 11.4 million in her trading account during the review period and her occupation was mentioned as "house-wife" and the Company failed to identify the beneficial owner of the account. Furthermore, the Company also failed to provide KYC/CDD of the joint account holder of the client.

ii. **Client 2 (Sub A/c No. 16048):**

The Company has submitted Tax Returns and Fard of agricultural land for the client however, details of beneficial ownership of the client was not provided as the client's occupation was mentioned as "House-wife". Moreover, no documentary evidence with regard to the source of income/ funds of the client was produced at the time of inspection. The Company failed to identify the beneficial owner of the client account. Further, the Company has not updated record of its clients categorized as "house-wives" at the time of account opening.

7. In view of the foregoing and the submissions made by the Representatives, non-compliances/ contraventions of the Regulation 11 of the AML/CFT/CPF Regulations have been established, which attract the applicability of Regulation 31 of the AML/CFT/CPF Regulations read with Rules 4(1)(a) and 6(1) of the AML Rules and Section 6A(2)(h) of the AML Act. I, hereby, in terms of powers conferred upon me under Section 6(A)(2)(h) of the AML Act read with Regulation 31 of the AML/CFT/CPF Regulations, impose a penalty of **Rs. 20,000 /- (Rupees Twenty Thousand only)** on the Company on account of established default.

8. 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.



(Manboob Ahmad)

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

Announced:

February 03, 2025
Islamabad