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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Order	
Name of Company	Intermarket Securities Limited
Show Cause Notice No. & Issue Date:	No. 1(165)SMD/Adj/KHI/2019 dated September 30, 2024
Date(s) of Hearings:	November 13, 2024
Present at the Hearing	Mr. Wajid Hussain (CEO) Mr. Muhammad Younus (Director Operations) (Authorized Representative)
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 No. 1(165)SMD/Adj/KHI/2019-98 dated September 30, 2024 (**the SCN**) by the Securities and Exchange Commission of Pakistan (**the Commission**) against Intermarket Securities Limited (**the Company**) on account of alleged contravention of Regulation 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 Rule 4(1)(A) and 6(1) of the AML/CFT Sanction Rules, 2020 (**the AML/CFT Rules**).

2. The Company is a Trading Rights Entitlement Certificate (**TREC**) holder of Pakistan Stock Exchange Limited (**PSX**) and is a regulated person as per Clause (r) of regulation 3(1) of the Regulations. Inspection of the Company was carried out by the Joint Inspection Team (**JIT**) comprising officials from PSX, CDC and NCCPL to examine compliance status stipulated under the AML/CFT/CPF Regulations.

3. Brief facts of the case are that an inspection of the Company was carried out by the Joint Inspection Team (**JIT**) for the period February 01, 2023 to January 31, 2024 (**the Review Period**), to ascertain the compliance status with the AML/CFT/CPF Regulations. The findings of the inspection team were shared with the Company vide Letter of Findings (**LOF**) dated May 08, 2024. During the review period, the Company was, *prima facie*, found non-compliant with the provisions of regulation 8(3), 21(2)(c), 23(2) and 9 read with Note (ii) of Annex I of AML/CFT/CPF Regulations in the following manner:

- The Company failed to categorize risk for 27 clients based on the outcome of CDD process, therefore, in contravention of Regulation 8(3) of the AML/CFT/CPF Regulations.
- The Company failed to justify in writing the low-risk classification of 17 clients; therefore, contravening Regulation 23(2) of AML/CFT/CPF Regulations.
- The Company has failed to obtain source of funds/ income for two high-risk clients, CDC Account No. 19711 and 23150; therefore, contravening Regulation 21(2)(c) of AML/CFT/CPF Regulations.

- iv. The Company has failed to perform NADRA Verisys of the below-mentioned clients, joint account holders, authorized person, directors and trustees; therefore, violating Regulation 9 read with Note (ii) of Annex I of the AML/CFT/CPF Regulations.

Clients:

Sr. No.	CDC Sub A/c No.
1.	10801
2.	19711
3.	21923
4.	23150
5.	24257
6.	27268
7.	30221
8.	34710
9.	48231
10.	49528

Joint Account Holders:

Sr. No.	CDC Sub A/c No.
1.	19711
2.	21923
3.	30221

Authorized Person:

Sr. No.	CDC Sub A/c No.
1.	43273
2.	42556

Trustees:

Sr. No.	CDC Sub A/c No.
1.	33100
2.	35956
3.	49452

Directors:

Sr. No.	CDC Sub A/c No.
1.	33357
2.	34538
3.	42556
4.	43273

4. 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.

5. While taking cognizance of the matter, a SCN dated September 30, 2024 was served upon the Company, calling it to furnish submissions in writing to explain, within 14 days of the date of the SCN, as to why penal action may not be undertaken for the aforesaid alleged violation of the Regulations.

6. The Company submitted their written reply to the SCN vide letter dated October 15, 2024, wherein the Company *interalia* submitted as under:

- The risk category was already available in the list provided to the inspection team however, the same is provided again along with reply to the SCN.
- KYC/CDD forms of all the 17 clients along with written justification were provided to the Inspection team
- The proof of Incomes of above said two (2) clients could not be found from our record during the inspection, which were traced-out subsequent to our Respond to the Inspection team's letter.
- NADRA discontinued its e-Verisys service through its web-portal and transitioned to VPN access, therefore, the Company was unable to verify Customers' CNICs through NADRA Verisys.

7. In order to provide the Company, an opportunity of personal representation, hearing in the matter was scheduled for November 13, 2024 through zoom link on which dated Mr. Wajid Hussain (Chief Executive Officer) and Mr. Muhammad Younus (Director Operations) appeared as the Authorized Representatives (the Authorized Representatives) on behalf of the Company. The Authorized Representatives reiterated the stance as taken in response to the SCN vide letter dated October 15, 2024.

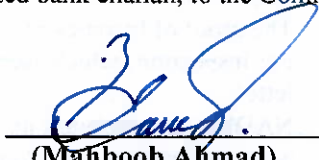
8. I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Company and Authorized Representatives. At this juncture, it is essential to address the following:

- i. The Company in its written reply has submitted that the Risk category was already available in the list provided to Inspection Team. Perusal of the record shows that alleged non-compliance is a result of the Company having two columns of *Risk Classification* in their database for the clients and in one of the respective columns risk is assigned to all the identified clients. Consequently, the Company is not to be held accountable for the contravention of Regulation 8(3) of the AML/CFT/CPF Regulations.
- ii. The Company in its written reply submitted that the KYC/CDD forms of all 17 clients with written justifications for low risk were provided to JIT. Record reveals that the Company has submitted KYC/CDD forms of those 17 clients wherein justifications for low-risk were provided. Considering the provided justification for low risk classification, the Company is not held accountable for the contravention of Regulation 23(2) of the AML/CFT/CPF Regulations.
- iii. The Company in its written reply submitted documentary evidence with respect to source of income/ funds of the two (2) clients, i.e. CDC Accounts Nos. 19711 and 23150. The documents submitted along with the written reply to the SCN includes bank account statements for both clients. The statement related to Client No. 19711 establishes that the source of income is salary, therefore, the Company may not be held accountable for CDC Sub Account no. 19711. However, for Client No. 23150, the source of income remains unverified. The provided statement covers a period of one month, during which the source of deposits cannot be ascertained. In view thereof, the Company is held accountable for contravention of Regulation 21(2)(c) of AML/CFT/CPF Regulations.

- iv. Available record shows that the Company did not verify the identification documents of its clients through NADRA or Biometric verification and no documentary evidence was produced at the time of inspection. Therefore, the Company is held accountable for contravention of Regulation 09 along with Note (ii) of Annex I of the AML/CFT/CPF Regulations.

9. In view of the foregoing and the submissions made by the Representatives, non-compliances/contraventions of the Regulation 21 and 9 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. 137,000 /- (Rupees One Hundred and Thirty-Seven Thousand only)** on the Company on account of established default.

10. The aforesaid penalty must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the Securities Exchange and Commission of Pakistan within thirty (30) days of the date of this Order and furnish receipted bank challan, to the Commission.


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

Announced:
February 10, 2025