



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I Adjudication Division

Through Courier

Before

Hammad Javed, Additional Director / Head of Wing
(Licensed Entities-Adjudication Department-I)

In the matter of

CONTINENTAL CAPITAL MANAGEMENT (PRIVATE) LIMITED

Number and date of Show Cause Notice (SCN)	2(157)SMD/Adj-1/2019-1063 July 04, 2023
Date(s) of Hearing Notices:	September 12, 2023, October 09, 2023, November 02, 2023 and January 10, 2024
Present at the Hearings:	Ex-Parte

ORDER

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

This Order shall dispose of the proceedings initiated against Continental Capital Management (Private) Limited (the Company and/or Respondent) through Show Cause Notice No. 2(157)SMD/Adj-1/2019-1063, dated July 04, 2023 (the SCN) under Regulation 6(A)(2)(h) of the Anti Money Laundering Act, 2010 (the AML Act) read with Rules 4(1)(a) and 6(1) of the AML/CFT Sanctions Rules, 2020 (the AML Rules) and Regulation 31 of the Securities And Exchange Commission Of Pakistan (Anti Money Laundering And Countering Financing Of Terrorism) Regulations, 2020 (the AML Regulations).

2. The Respondent is a Trading Rights Entitlement Certificate (TREC) holders of the Pakistan Stock Exchange Limited (PSX) and licensed as a securities broker by the Securities and Exchange Commission of Pakistan (the Commission).

3. The Joint Inspection Team (JIT) initiated an inspection of the Respondent vide Inspection Notice No. T317 dated January 23, 2023 covering a review period of 03 months starting from October 01, 2022 to December 31, 2022. The scope of review included examining compliance status with respect to certain provisions, stipulated under the AML Regulations. The JIT vide letter dated January 30, 2023 shared its observations with the management of the Respondent for obtaining their comments. The Respondent submitted its comments on the observations vide letter dated February 08, 2023.

4. The findings of Inspection transpired that the Respondent, prima facie, contravened the



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following provisions of the AML Regulations:

- i) Alleged violation of Regulation 8(3) of the AML Regulations, the Respondent did not assign risk rating to following twenty-three (23) clients, details of the clients are as under, and the Company submitted that *we are in process*.

Sr. No	CDC Sub A/c.	Sr. No	CDC Sub A/c.
1	4951	13	5263
2	4969	14	5271
3	5057	15	5289
4	5099	16	5297
5	5156	17	5305
6	5198	18	5313
7	5206	19	5321
8	5214	20	5339
9	5222	21	5347
10	5230	22	5354
11	5248	23	5388
12	5255		

- ii) The Respondent did not provide evidence relating to validation of CNIC from NADRA Verisys or through Biometric Verification of the following eleven (11) clients, one (01) joint account holder, nine (09) nominees and three (03) directors of a corporate client. The Company submitted that *we are in process*. Therefore, this is the alleged violation of Note (ii) to Annex-1 read with Regulations 9 and 16 of the AML Regulations.

Sr. No	Clients CDC Sub A/c. No.
01	1700
02	4142
03	4589
04	4670
05	4852
06	4886
07	5156
08	5164
09	5206
10	5214
11	5222
Sr. No	Joint Account Holder CDC Sub A/c. No.
01	4589
Sr. No	Nominees CDC Sub A/c. No.
01	1700
02	4142
03	4670



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04	4852
05	4886
06	5156
07	5164
08	5214
09	5222
Directors of a Corporate Client	
Sr. No	CDC Sub A/c. No.
01	3375

- iii) The Respondent did not provide any justification in written relating to assigning of low risk to following three (03) clients and the Company submitted that *we are in process*. This is the alleged violation of Regulation 23(2) of the AML Regulations.

Sr. No	CDC Sub A/c. No.
1	1700
2	4142
3	4886

- iv) The Respondent has failed to identify beneficial owner of its following four (04) clients and the Company submitted that *we are in process*. Therefore, this is the alleged violation of Regulations 11, 16 and 23(3)(a) of the AML Regulations.

Sr. No	CDC Sub A/c. No.
1	4589
2	4670
3	4886
4	5214

- v) The Respondent has failed to provide evidence as under:

- a) the source of income of following eleven (11) clients:

Sr. No	CDC Sub A/c. No.
1	1700
2	4142
3	4589
4	4670
5	4852
6	4886
7	5156
8	5164
9	5206
10	5214
11	5222

- b) financial statement of its corporate client having CDC Sub A/c No. 3375.



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In view of above, the Company submitted that *we are in process*. Therefore, this is alleged violation of Note (i)(o) and (q) of Annex-1, read with Regulation 9 of the AML Regulations.

5. The relevant provisions of the law are reproduced as under:

Regulation 8(3) of the AML Regulations

Customer Due Diligence- (1) The regulated person shall conduct CDD in the circumstances and matters set out in section 7A(1) and 7(E) of the AML Act.

(3) The regulated person shall categorize each customer's risk depending upon the outcome of the CDD process.

Regulation 9 of the AML Regulations

The regulated person shall:

(a) identify the customer; and

(b) verify the identity of that customer using reliable and independent documents, data and information as set out in Annex 1.

Regulation 11 of AML Regulations

11. The regulated person shall also identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner by using reliable and independent document, data or sources of information as set out in Annex 1, such that the regulated person is satisfied that it knows who the beneficial owner is.

Regulation 16 of AML Regulations

The regulated person should verify the identify the customer and beneficial owner before establishing a business relationship or during course of establishing a business relationship.

Regulation 23(2) of AML Regulations

(2) The decision to rate a customer as low risk shall be justified in writing by the regulated person.

Regulation 23(3)(a) of AML Regulations

(a) Verifying the identity of the customer and the beneficial owner after the establishment of the business relationship;

Note (i) (o) and (q) to the Annex-I of the AML Regulations

For due diligence purposes, at the minimum following information shall also be obtained and recorded on KYC (Know Your Customer)/CDD form or account opening form....

(o) Profession / Source of Earnings/ Income: Salary, Business, investment income;

(q) Expected monthly turnover (amount and No. of transactions);

Note (ii) to the Annex-I of the AML Regulations

(ii) The photocopies of identity documents shall be validated through NADRA verisys or Biometric Verification. The regulated person shall retain copy of NADRA Verisys or Biometric Verification (hard or digitally) as a proof of obtaining identity from customer.

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Regulations 31 of the AML Regulations

(1) Any contravention of these regulations shall be cognizable by the Commission in accordance with section 6A of the AML Act and liable to sanction provided in the AML/CFT Sanctions Rules, 2020 and imposed by the Commission according to Clause (h) of Sub-section (2) of Section 6A of AML Act.

Section 6A(2)(h) of the AML Act

(2) AML/CFT regulatory authority shall exercise the following powers and functions with respect to its reporting entities, namely: -

(h) impose sanctions, including monetary and administrative penalties to the extent and in the manners as may be prescribed, upon their respective reporting entity, including its directors and senior management and officers, who violates any requirement in section 7(1), 7(3) to 7(6) and 7A to 7H and any rules or regulations made thereunder or those who fail to comply with the TFS regulations. Any person aggrieved by the imposition of sanctions under this clause may prefer an appeal in such manner and within such period to such authority as may be prescribed;

Rule 4(1)(a) of the AML Rules

(a) Impose a monetary penalty in accordance with these Rules;

Rule 6(1) of the AML Rules

(1) The AML/CFT Regulatory Authority shall apply monetary penalties up to Rs.100 Million per violation, in accordance with the risk-based penalty scale of the respective AML/CFT Regulatory Authority.

6. In view of the above, it appeared that the Respondent had, *prima facie*, acted in contravention of the AML Regulations. Accordingly, the Commission while taking cognizance in the matter served the SCN upon the Respondent requiring it to justify within fourteen (14) days of the date of the SCN as to why penalty may not be imposed on it for contravening the aforesaid provisions of the law, to which the Respondent did not submit any reply.

7. In order to provide the Respondent an opportunity of personal representation in the matter, hearing notices dated September 12, 2023, October 09, 2023 and November 02, 2023 were issued, which were duly received at the registered address of the Company. Simultaneously, efforts were also made to contact through telephone yet neither the Respondent appeared in any of the given hearing opportunities nor responded to the telephone calls (made at the given landline numbers on the letterhead of the Company and at the mobile number of the CEO of the Company). Therefore, a final hearing notice dated January 10, 2024 was given to the Respondent with clear advice that in case of non-appearance, an *ex-parte* order, based on the material available on record, will be issued. The Respondent did not respond or appear in the final hearing opportunity as well.

8. Therefore, I am left with no other option except to pass an *ex-parte* order in the matter on the basis of available record that establishes violation of Regulations 8(3), 9, 11, 16, 23(2), 23(3)(a) and Notes (i)(o) and (q) and (ii) to the Annex-I of the AML Regulations.

9. In exercise of the powers conferred upon me, under Regulations 31 of the AML Regulations read with section 6A(2)(h) of the AML Act and rules 4(1)(a) and 6(1) of the AML Rules, I hereby, impose a penalty of **Rs.660,000 /- (Rupees Six Hundred and Sixty Thousand Only)** on the



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Respondent on account of established violations of the law, as mentioned in the above paras.

10. The Respondent is advised to ensure its meticulous compliance with all applicable Laws, Rules, Regulations and Directions etc. notified/issued from time to time relating to anti money laundering and countering financing of terrorism in true letter and spirit, at all times.

11. 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.

12. This Order is issued without prejudice to any other action that the Commission may initiate against the Company or its Shareholder(s) / Director(s) in accordance with the law(s) on matter subsequently investigated or otherwise brought to the knowledge of the Commission.

Hammad Javed)

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

Announced:

February 22, 2024
Islamabad