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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company	M/s. A.S Securities (Private) Limited
Number and Date of Show Cause Notice (SCN)	2(464)SMD/Adj-1/2024-71 dated September 03, 2024
Date(s) of Hearing(s)	(i) October 03, 2024; and (ii) November 06, 2024
Case represented by	Mr. Muhammad Arshad, Compliance Manager; (as the Authorized Representative.)
Provisions of law involved	Regulations 9 read with Note (ii) of Annex I, 11, 25(1)(a), 27(1)(c) & 2(c) and 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 Rules 4(1)(a) and 6(1) of the AML/ CFT Sanctions Rules, 2020.

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “**Commission**”) through Show Cause Notice No. 2(464)SMD/Adj-I/2024-71 dated September 03, 2024 (the “**SCN**”) against M/s. A.S Securities (Private) Limited (the “**Company**”) 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 (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**) for failure to comply with Regulation 9 read with Note (ii) of Annex I and Regulations 11, 25(1)(a), 27(1)(c) & 2(c) of the AML/CFT/CPF Regulations. The Company 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 Company with the requirements of the AML/CFT/CPF Regulations for the period **April 01, 2023 to March 31, 2024 (the Inspection Period)**, which revealed that the Company has, *prima facie*, failed to comply with the following legal requirements:

- a) Regulation 9 read with Note (ii) of Annexure-1 of the AML/CFT/CPF Regulations, as it did not obtain the source of income of two (2) highlighted clients mentioned below:
and

Sr #	CDC #	Client Code
1.	2569	103
2.	2932	147

It also failed to perform NADRA Verisys of below mentioned three (3) highlighted clients and their nominees:

Sr #	CDC #	Client Code
1.	2551	104
2.	2569	103

3.	2932	147
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- b) Regulation 11 of the AML/CFT/CPF Regulations, as it failed to identify the Beneficial Owners (BO) of eight (8) highlighted clients mentioned below:

Sr. #	CDC Code	Occupation Description
1.	795	House Wife
2.	2551	Student
3.	2569	House Wife
4.	2742	House Wife
5.	2775	Student
6.	2841	House Wife
7.	2908	House Wife
8.	2961	House Wife

- c) Regulation 25(1)(a) of the AML/CFT/CPF Regulations, as it failed to provide:
- (i) Evidence related to periodic screening performed during the review period.
 - (ii) Evidence related to screening performed prior to submission of compliance status to the Commission against the following SROs:
 - a) SRO NO. HD Punjab-SO(IS-1)4-23/2022 Dated 12-April-2023 (1 Individual Deleted)
 - b) SRO NO. HD Punjab-SO(IS-1)4-10/2023 & 10/2022 Dated 14-March-2023 (4 Individual Addition)
 - c) SRO NO. HD Punjab-SO(IS-1)4-10/2022 Dated 16-January-2024 (2 Individual Deletion)
- d) Regulation 27(1)(c) & 2(c) of the AML/CFT/CPF Regulations, as it failed to conduct any training session for its employees. Furthermore, no monthly compliance report as required under the aforementioned Regulation was made to Board of Directos (BOD).

3. The mandatory legal provisions of the AML/CFT/CPF Regulations are reproduced as under:

Regulation 9 of the AML/CFT/CPF 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."

Note (ii) of Annexure-I of the AML/CFT/CPF Regulations:

"(ii) The copies 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"

Regulation 11 of the AML/CFT/CPF Regulations:

"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 25(1)(a) of the AML/CFT/CPF Regulation:

"(1) The regulated person shall undertake TFS obligations under the United Nations (Security Council) Act 1948 and/or Anti-Terrorism Act 1997 and any regulations made there under, including:

(a) develop mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential matches with the stated designated/proscribed persons in the SROs and notifications issued by MoFA, NACTA and MoI."

Regulation 27(1)(c) & 2(c) of the AML/CFT/CPF Regulation:

"(1) In order to implement compliance programs as set out in 7G of the AML Act, the regulated person shall implement the following internal policies, procedures and controls:

.....

(c) an ongoing employee training program;

(2) For purposes of (a) the regulated person shall ensure that the compliance officer:

.....

(c) be responsible for the areas including, but not limited to:-

i. ensuring that the internal policies, procedures and controls for prevention of ML/TF are approved by the board of directors of the regulated person and are effectively implemented;

ii. monitoring, reviewing and updating AML/CFT/ 22[CPF] policies and procedures, of the regulated person;

iii. providing assistance in compliance to other departments and branches of the regulated person;

iv. timely submission of accurate data/ returns as required under the applicable laws;

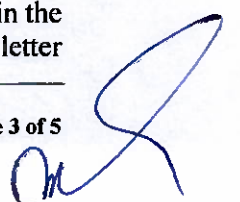
v. monitoring and timely reporting of Suspicious and Currency Transactions to FMU; and

vi. such other responsibilities as the regulated person may deem necessary in order to ensure compliance with these regulations."

4. Accordingly, 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 above-mentioned provisions of the law. In response to the SCN, Mr. Muhammad Arshad-Compliance Manager, as the Authorized Representative of the Company (**the "AR"**) vide letter received on September 18, 2024, *inter alia*, submitted as under:

- (i) For non-compliance related to Regulation 9 of the AML/CFT/CPF, the source of income is annexed.
- (ii) The NADRA Verisys has been completed for two clients with CDC codes 104 and 103, while the NADRA Verisys for the third client with CDC code 00147 is still not available.
- (iii) Regarding the non-compliance related to updating of BO status, the status of two CDC accounts 2551 and 2569, has been updated. While other accounts have been closed as there have been no transactions in these accounts for the last five years.
- (iv) Requested to condone the non-compliances as they were caused by the clients' non-cooperation, and the majority of the accounts have been closed by CDC.

5. In order to provide the Company an opportunity of personal representation, hearing in the matter was fixed for October 03, 2024 which was adjourned on the request of the AR vide letter




dated October 01, 2024. Subsequently, matter was re-fixed for November 06, 2024 which was attended by the AR. During the course of hearing, the AR reiterated the same stance as taken in letter received on September 18, 2024 and stated that the required documents have been compiled with and those accounts have been blocked which were insufficient in terms of KYC checklist.

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 AR. At this juncture, it is imperative to address the following legal and factual elements:

- (i) With respect to verification of source of income, the Company has not provided any evidence to substantiate that it obtained the source of income for clients with CDC A/c # 2569 and CDC A/c # 2932. This demonstrates that the Company has failed to verify the source of income of aforementioned clients; thereby contravened Regulation 9 of the AML/CFT/CPF Regulations.
- (ii) With respect to conducting of NADRA Verisys, the Company provided evidence including CKO Biometric System for clients with CDC A/c # 2551 and CDC A/c # 2569. Perusal of the evidence shows that the dates on the provided CKO Biometric details are August 08, 2024 and September 16, 2024, which demonstrate that the Company has obtained these CKO Biometric details subsequent to the Inspection period and issuance of the SCN. Furthermore, the Company has not provided any evidence of NADRA Verisys of client with CDC A/c #2932. This demonstrates that the Company has failed to conduct NADRA Verisys of aforementioned clients; thereby contravened Regulation 9 read with Note (ii) of Annex I of the AML/CFT/CPF Regulations.
- (iii) With respect to identification and verification of BO of clients, the Company provided evidence, including details of accounts and affidavits. Perusal of the evidences demonstrates that the Company has provided Affidavit of client with CDC A/c # 2569. However, the Affidavit issued on September 16, 2024, which reflects that it has been obtained subsequent to the Inspection period and issuance of the SCN. Moreover, the Company has not provided evidence related to identification and verification of BO of remaining seven (7) clients. This demonstrates that the Company has failed to identify and verify the BO of clients and their nominees; thereby contravened Regulation 11 of the AML/CFT/CPF Regulations.
- (iv) With respect to performance of screening, the Company has not provided any evidence to substantiate that it has performed periodic screening and screening prior to submission of compliance status against the Commission's SROs; thereby contravened Regulations 25(1)(a) of the AML/CFT/CPF Regulations.
- (v) With respect to conducting of training session for employees and submission of monthly compliance report to BOD, the Company has not provided any evidence to substantiate that it has conducted training session for employees and submitted monthly compliance report to BOD; thereby contravened Regulations 27(1)(c) & 2(c) of the Regulations.

7. In view of foregoing, non-compliances/contraventions of Regulations 9 read with Note (ii) of Annex I, 11, 25(1)(a), 27(1)(c) & 2(c) 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/CFT 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 Regulations, impose a penalty of **Rs. 200,000/- (Rupees Two Hundred Thousand only)** on the Company on account of established defaults.

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.


(Mahboob Ahmad)

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

Announced:
January 23, 2025
Islamabad

