



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I
Adjudication Division

Through Courier

Before the Executive Director (Adjudication Department-1)

In the matter of Show Cause Notice issued to M/s. Bridge Securities (Pvt.) Limited under Section 40A of Securities Exchange Commission of Pakistan Act, 1997.

ORDER

This Order shall dispose of the proceedings initiated against the Bridge Securities (Pvt.) Limited (the "Respondent") and its Compliance Officer through Show Cause Notice No. 2(231) SMD/ADJ-I/2020, dated May 20, 2020 (the "SCN") under Section 40A of the Securities and Exchange Commission of Pakistan Act 1997 (the "SECP Act").

2. Brief facts of the case are that the Company is a Trading Rights Entitlement Certificate holder of the Pakistan Stock Exchange Limited ("PSX") and licensed as a securities broker with the Securities and Exchange Commission of Pakistan (the "Commission").

3. Broker's Compliance Department of the Commission initiated a limited scope thematic review ("the Review") of the Respondent to assess compliance with Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 ("AML Regulations") and related directives. Findings of the review were communicated to the Respondent vide Letter of Findings ("LOF") dated July 13, 2019.

4. The Review revealed that the Respondent, *prima facie*, was non-compliant with the AML Regulations, detailed as under.

- a. In this regard, the Respondent had not included following requirements in its AML Policy to comply with relevant clauses of AML Regulations:
 - i. Risk Mitigation and application of risk-based approach [as required under Regulation 4 of AML Regulations]
 - ii. ML/TF risk involved in new products, Practice and Technologies [as required under Regulation 5 of AML Regulations]
 - iii. Reporting of STR and CTR to Financial Monitoring Unit by Compliance Officer. [as required under clause (iv) of sub regulation (c) of regulation 18 of AML Regulations]
 - iv. On becoming aware of any proscribe person, actions such as freezing the funds and assets and reporting to Commission. [as required under Regulation 13(7) of the AML Regulations]
 - v. Reporting of CTR [as required under Regulation 14(5) of AML Regulations]
 - vi. Recording of basis of deciding whether an STR is being filed or not. [as required under Regulation 14(6) of SECP AML Regulations]





Securities and Exchange Commission of Pakistan
Adjudication Department-1
Adjudication Division

In view of the above deficiencies observed in AML/CFT Policy of the Respondent, the Respondent acted in contravention of Regulation 18(c)(iii) & Regulation 4(a) of the AML Regulations.

5. In view of the aforesaid, the Respondent *prima facie* acted in contravention of the AML Regulations. The Commission therefore took cognizance of the aforesaid violations, issued SCN dated May 20, 2020 to the Respondent and its Compliance Officer. The Respondent vide its letter dated May 21, 2020 submitted reply to the SCN along with its Board Resolution dated July 25, 2019 wherein the AML/CFT policy of the Respondent was updated in accordance with the observations highlighted during the review.

6. The Respondent was accorded hearing opportunity on July 2, 2020 which was attended by Mr. Muhammad Arslan Haider Qureshi (Compliance Officer) and Ms. Iqra Arif Awan (Compliance Department) as Authorized Representatives on behalf of the Respondent. The Authorized Representative reiterated the arguments as provided in response to the SCN.

7. I have examined the submissions of the Respondent. In this regard, I observe that:

- i. With regard to the deficiencies in AML/CFT Policy, the Respondent submitted its Board Resolution dated July 25, 2019 wherein it was observed that its policy was updated subsequent to the findings of the Review in light with the observations highlighted by the Commission. It is pertinent to note here that AML Regulations were promulgated in June, 2018 wherein the Respondent was required to update its policy and procedures as per the requirements of Regulation 4(a) of the AML Regulations. The Respondent's policy was updated after a lag of a year subsequent to the findings of the Commission. It must be noted that in order to implement effective AML/CFT system, the Respondent was required to primarily update its policy in accordance with the AML Regulations and ensure its implementation. Such delay on behalf of the Respondent in updating its policy/ procedures reveals negligence to comply with the AML enforcement regime and therefore, the Respondent was found non-compliant with the Regulation 4(a) of the AML Regulations. In view of the facts, the default of Regulation 18(c)(iii) cannot be denied wherein the Compliance Officer was also required to monitor, review and update its AML/CFT policy and procedures.

8. In view of the foregoing and submissions made by the Respondent and its compliance officer, contraventions of the provisions of the AML Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of **Rs. 175,000 (Rupees One Hundred and Seventy-Five Thousand Only)** is hereby imposed on the Respondent. The Respondent is directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited within 30 days of date this Order and furnish the original deposit challan to this Office. Further, the compliance officer of the Respondent is strictly warned and advised



Securities and Exchange Commission of Pakistan
Adjudication Department-1
Adjudication Division

to ensure that its AML/CFT policy is being updated in a timely manner as per the requirements of the AML Regulations.

9. This Order is issued without prejudice to any other action that the Commission may initiate against the Company in accordance with the law on the matter subsequently investigated or otherwise brought to the knowledge of the Commission.



(Ali Azeem Ikram)

Executive Director – Adjudication Department-1

Announced on July 09, 2020
Islamabad