



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

ORDER	
Name of Company:	M/s. MAS Commodities (Private) Limited
Number and Date of Show Cause Notice (the SCN):	2(471)SMD/Adj-1/2025-242 dated March 24, 2025
Date(s) of Hearing(s):	(i) April 15, 2025; (ii) April 29, 2025; (iii) May 12, 2025; and (iv) May 22, 2025.
Case represented by:	Mr. Muhammad Farrukh Jhangda, Advocate (<i>the Authorized Representative</i>)
Provisions of law involved:	Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 and Rule 4(1)(a) and 6(1) of the AML/CFT Sanction Rules, 2020 read with Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 and Regulations 8(3), 25(1)(a) and 27(1)(d) thereof.
Date of the Order:	June 02, 2025

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. 2(471)SMD/Adj-1/2025-242 dated March 24, 2025 (“SCN”) by the Securities and Exchange Commission of Pakistan (the “Commission”) against M/s. MAS Commodities (Private) Limited (the “Company”) issued under Section 6A(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 Rules”) read with 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 Regulations”) and Regulations 8(3), 25(1)(a) and 27(1)(d) thereof.

2. The Company is a futures broker and a regulated person as per definition under Clause (r) of Regulation 3(1) of the AML Regulations.

3. The brief facts of the matter are that Inspection of the Company was carried out vide Inspection Order No. PMEX/RAD/171/2024 dated July 25, 2024 by the Inspection team of Pakistan Mercantile Exchange (“PMEX”) covering period from July 01, 2023 to June 30, 2024 (the “Inspection Period”). The Scope of the Inspection included examining compliance status with respect to requirements stipulated under the AML Regulations. The Inspection team shared its findings vide email dated September 02, 2024 with the Company and the reply dated September 10, 2024 received thereon was duly included in the Inspection Report dated September 10, 2024 (the “Inspection Report”).

4. The Inspection Report revealed as under:

- a) The Company failed to categorize its customers’/clients’ risk based on outcome of Customer Due Diligence (CDD) process, which is, *prima facie*, violation of the requirements of Regulation 8(3) of the AML Regulations.

- b) The Company failed to perform screening of new clients at the time of account opening and to demonstrate effectiveness of its screening procedures, which is, *prima facie*, violation of the requirements of Regulation 25(1)(a) of the AML Regulations.
 - c) The Company failed to develop an independent audit function to test the AML systems, policies and procedures, which is, *prima facie*, violation of the requirements of Regulation 27(1)(d) of the AML Regulations.
5. The relevant provisions of law are as under:

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

"(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;"

Rules 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 upto Rs. 100 Million per violation, in accordance with the risk-based penalty scale of the respective AML/CFT Regulatory Authority."

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."

Regulations 8(3) of the AML Regulations:

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

Regulation 25(1)(a) of the AML Regulations:

"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)(d) of the AML Regulations:

"(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:

.....

(d) an independent audit function to test the system."

6. While taking cognizance in the matter, SCN was issued to the Company calling upon it to show the cause in writing as to why penalty as provided under Section 6A(2)(h) of the AML Act and Rules 4(1)(a) and 6(1) of the AML Rules read with Regulation 31 of the AML Regulations, may not be imposed for contravening Regulations 8(3), 25(1)(a) and 27(1)(d) of the AML Regulations. However, the Company did not submit any response.

7. In order to provide an opportunity for personal representation, a hearing in the matter was fixed for April 15, 2025 which was adjourned at the request of the Company made vide email dated April 14, 2025. Subsequently, another hearing in the matter was fixed for April 29, 2025, which the Company did not attend. Furthermore, in order to meet the ends of justice, another hearing was fixed for May 12, 2025 which was again adjourned at the request of the Company made vide letter received on May 13, 2025.

8. In order to conclude the matter, a final hearing in the matter was fixed for May 22, 2025, with a clear advice that no further adjournment requests will be entertained and, in case of non-appearance, an ex-parte order will be passed based on the record available with this office. On the date of the hearing, Mr. Muhammad Farrukh Jhangda, Advocate, appeared as the Authorized Representative of the Company (the "Authorized Representative"). During the course of the hearing, the Authorized Representative admitted the violations and stated that the Chief Executive Officer (CEO) and one of the directors had resigned, due to which the requirements of the AML Regulations could not be complied with. Furthermore, the Authorized Representative requested for a leniency in the matter and assured compliance with the requirements of the AML Regulations in future.

9. I have reviewed the facts of the case, the relevant provisions of law and to meet the end of justice in a bona fide manner considered the verbal submissions made by the Authorized Representative. At this juncture, it is important to discuss the following legal and factual elements:

(i) With regard to the risk categorization of clients, the Authorized Representative admitted during the hearing that the Company has not conducted any CDD, as no procedure or mechanism exists within the Company to carry out such a process, as required under Regulation 8(3) of the AML Regulations. It is pertinent to note that all regulated entities are required to categorize their customers based on the outcome of the CDD process. The absence of a formal CDD framework means the Company is unable to assess customer risk levels, which is a fundamental component of an effective AML regime; thereby contravening Regulation 8(3) of the AML Regulations.

(ii) With respect to the screening of clients at the time of account opening, the Authorized Representative admitted during the hearing that the Company does not have any system or mechanism in place to carry out screening as required under Regulation 25(1)(a) of the AML Regulations. It is pertinent to note that this regulatory requirement obligates all regulated entities to implement effective systems, processes, and procedures for screening and ongoing monitoring of clients, including their beneficial owners and associates. The primary objective of this requirement is to detect any matches or potential matches with individuals or entities designated or proscribed under SROs and notifications issued by the Ministry of Foreign

Affairs (MoFA), the National Counter Terrorism Authority (NACTA) and the Ministry of Interior (MoI). The absence of such a system constitutes a clear violation of Regulation 25(1)(a) of the AML Regulations.

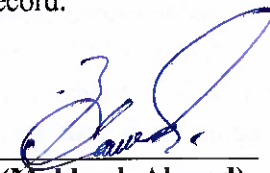
(iii) With regard to the independent audit function, the Authorized Representative admitted during the hearing that no such function currently exists within the Company. It is important to highlight that the establishment of an independent audit function is a fundamental requirement under Regulation 27(1)(d) of the AML Regulations. This function plays a critical role in providing objective oversight by periodically testing the adequacy and effectiveness of the Company's AML policies, procedures, and internal controls. The absence of independent audit function constitutes a clear violation of Regulation 27(1)(d) of the AML Regulations.

(iv) The Authorized Representative asserted the reason that the Company's failure to comply with the requirements of the AML Regulations was due to the resignation of the CEO and one of the directors is not cogent. Further, the Authorized Representative sought time for making compliance of alleged violations. It is pertinent to note that compliance with AML Regulations is a continuous and unconditional obligation for all regulated entities. The regulatory requirements are not contingent upon the presence of specific personnel. It is the Company's responsibility to maintain effective AML systems, controls, and procedures at all times, irrespective of any changes in management or board composition.

10. In view of foregoing, the contraventions of Regulations 8(3), 25(1)(a) and 27(1)(d) of the AML Regulations have been established which attract the applicability of Section 6A(2)(h) of the AML Act and Rules 4(1)(a) and 6(1) of the AML Rules read with Regulation 31 of the AML Regulations. I, therefore, in terms of powers conferred under Section 6A(2)(h) of the AML Act read with Regulation 31 of the AML Regulations and S.R.O. 827(1)/2022 dated June 09, 2022, impose a penalty of **Rs.150,000/- (Rupees One Hundred and Fifty Thousand Only)** on the Company on account of established default.

11. The Company is also strictly advised to meticulously comply with the requirements of the AML Regulations in future.

12. 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
Adjudication Department-I

Announced:
June 02, 2025
Islamabad.