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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**Adjudication Department-I****Adjudication Division**

ORDER	
Name of Company:	M/s. Azam Gold Trading (Pvt.) Limited
Number and Date of Show Cause Notice (the SCN):	2(298)SMD/Adj-1/2021-244 dated March 24, 2025
Date(s) of Hearing(s):	(i) April 15, 2025; and (ii) April 29, 2025.
Case represented by:	(i) Mr. Muhammad Azam, Chief Executive Officer; and (ii) Mr. Aadil Rasheed, Compliance Officer. (as the Authorized Representatives.)
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 Regulation 4(a) read with Regulations 8(3), 9(b) and Note (ii) of Annexure I and Regulations 25(1)(a) and 27(1)(d) thereof.
Date of the Order:	May 06, 2025

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. 2(298)SMD/Adj-1/2021-244 dated March 24, 2025 (“SCN”) by the Securities and Exchange Commission of Pakistan (the “Commission”) issued to M/s. Azam Gold Trading (Pvt.) Limited (the “Company”) 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 Regulation 4(a) read with Regulations 8(3), 9(b) and Note (ii) of Annexure I and Regulations 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/286/2024 dated October 01, 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 letter dated November 13, 2024 with the Company and the reply dated December 04, 2024 received thereon was duly included in the Inspection Report dated December 18, 2024 (the “Inspection Report”). The Inspection Report revealed as under:

- a) The Company failed to carry out Customer Due Diligence (CDD)/Risk profiling and to conduct NADRA Verisys/biometric verification for twenty-seven (27) highlighted clients mentioned below, which is, *prima facie*, violation of the

requirements of Regulation 4(a) read with Regulations 8(3), 9(b) and Note (ii) of Annexure I of the AML Regulations:

Sr. No.	Trading ID
1.	203240119
2.	203240112
3.	203240078
4.	203240120
5.	203240117
6.	203240095
7.	203240100
8.	203240099
9.	203240071
10.	203240077
11.	203240113
12.	203240081
13.	203240063
14.	203240005
15.	203240001
16.	203240026
17.	203240068
18.	203240128
19.	203240135
20.	203240098
21.	203240106
22.	203240104
23.	203240086
24.	203240085
25.	203240010
26.	203240129
27.	203240072

- b) The Company failed to perform screening of new clients at the time of account opening including their nominee/joint account holder/authorized person, 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 Regulation 27(1)(d) of the AML Regulations.
4. 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 4(a) of the AML Regulations:

“The regulated person shall take appropriate steps in accordance with section 7F of the AML Act to identify, assess and understand its money laundering, and terrorism financing risks for customers, countries or geographic areas and products, services, transactions or delivery channels. The regulated person shall: (a) document their risk assessments.”

Regulations 8(3) of the AML Regulations:

“The regulated person shall categorize each customer’s risk depending upon the outcome of the CDD process.”

Regulation 9(b) of the AML Regulations:

“The regulated person shall:

(a)

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

Note (ii) of Annex-I of the AML 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 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.”

5. 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 the above-mentioned provisions of the law. However, in response to the SCN, no written response was made by the Company.

6. In order to provide an opportunity for personal representation, a hearing in the matter was fixed for April 15, 2025. However, the Company, vide an email and letter dated April 15, 2025, sought an extension for filing the written response to the SCN and requested an adjournment of the hearing, which was acceded to. Subsequent hearing in the matter was re-fixed for April 29, 2025 which was attended by Mr. Muhammad Azam, Chief Executive Officer (CEO) and Mr. Aadil Rasheed, Compliance Officer, as the Authorized Representatives of the Company (**the "Authorized Representatives"**). During the course of the hearing, the Authorized Representatives stated that an independent internal audit function has now been established. Additionally, the Authorized Representatives stated that CDD/risk profiling of the customers has now been started and assured to comply with the requirements of the AML Regulations. Further, the Authorized Representatives stated that CNICs of clients are being checked at the time of account opening and there is no as such system for the screening of clients. The Authorized Representatives requested for a leniency in the matter.

7. Subsequent to the hearing, Mr. Muhammad Azam, CEO, one of the Authorized Representatives, vide letter dated April 29, 2025 made the following, *inter alia*, submissions.:

- (i) The Company has introduced and developed a proper Internal Audit Function in order to perform effective activities regarding the mandatory compliance of the AML Regulations and a copy of appointment letter dated March 27, 2025 of an internal auditor is also attached.
- (ii) The Company has started the screening of its new clients at the time of account opening including the nominees, joint account holders or authorized persons. However, proper verification including CNIC, Business details, visiting card, manual verification, repute, citizenship for the main person and nominee are checked at the time of opening of account.
- (iii) The risk disclosure documents comprise of client information are always checked prior to any business activity. National Clearing Company of Pakistan (NCCPL) portal is used for the said biometric Verisys for the active as well as inactive clients. The Company is also following up for NADRA Biometric Verisys and risk profiling.

8. I have reviewed the facts of the case, the relevant provisions of law and also considered the verbal and written submissions made by the Authorized Representatives. At this juncture, it is important to discuss the following legal and factual elements:

- (i) With regard to CDD/risk profiling and the conduct of NADRA Verisys/biometric verification for twenty-seven (27) clients, the Authorized Representatives submitted that the Company has completed the risk profiling and is utilizing the NCCPL portal

for biometric verification purposes. However, it is observed that no documentary evidence has been furnished either in response to the SCN or during the course of the hearing to substantiate that the requisite CDD/risk profiling and NADRA Verisys or biometric verification were conducted for the aforementioned clients; thereby contravening the requirements of Regulation 4(a) read with Regulations 8(3), 9(b) and Note (ii) of Annexure I of the AML Regulation.

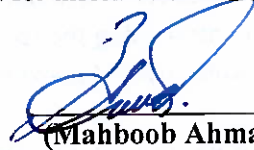
(ii) With respect to conduct screening of clients at the time of account opening, the Authorized Representatives admitted during the hearing that the Company does not have any formal mechanism in place for screening new clients including their nominees, joint account holders and authorized persons as required under Regulation 25(1)(a) of the AML Regulations. Moreover, the Authorized Representatives have also asserted that the Company had been conducting verification of clients such as checking CNICs, collecting business details, visiting cards and manually assessing the repute of clients. However, it is pertinent to note that such measures do not meet the regulatory requirement of screening clients against the designated/proscribed persons lists as mandated under Regulation 25(1)(a) of the AML Regulations. This provision requires regulated entities to establish mechanisms, processes and procedures for screening and monitoring clients 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. The absence of such a system constitutes a violation of Regulation 25(1)(a) of the AML Regulations.

(iii) With regard to the independent audit function, the Authorized Representatives submitted that the Company has now established an independent audit function and has provided a copy of appointment letter dated March 27, 2024 of an internal auditor in this regard. However, it is pertinent to note that during the Inspection Period, no such independent internal audit function was in place. The presence of this function is a critical regulatory requirement, intended to ensure objective and ongoing assessment of the effectiveness of the AML/CFT policies, procedures and their implementation. The absence of an internal audit function during the relevant period reflects a significant gap in the Company's compliance framework and demonstrates a failure to implement the internal oversight mechanisms envisaged under Regulation 27(1)(d) of the AML Regulations. The subsequent establishment of the internal audit function does not absolve the Company of its non-compliance; thereby contravening violation with the requirements of Regulation 27(1)(d) of the AML Regulations.

9. In view of foregoing, the contraventions of Regulation 4(a) read with Regulations 8(3), 9(b) and Note (ii) of Annexure I and Regulations 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(I)/2022 dated June 09, 2022, impose a penalty of **Rs. 290,000/- (Rupees Two Hundred and Ninety Thousand Only)** on the Company on account of established default.

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

11. 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:
May 06, 2025
Islamabad.