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

ORDER	
Name of Company:	M/s. Shajar Capital Pakistan (Private) Limited
Number and Date of Show Cause Notice (the SCN):	2(176)SMD/Adj-1/2019-243 dated March 24, 2025
Date of Hearing:	April 15, 2025
Case represented by:	(i) Mr. Muhammad Munir, Chief Financial Officer; and (ii) Mr. Tahir Abbas, Manager Tax. (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 Regulations 25(1)(a) thereof.
Date of the Order:	May 07, 2025

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. 2(176)SMD/Adj-1/2019-243 dated March 24, 2025 (“SCN”) by the Securities and Exchange Commission of Pakistan (the “Commission”) issued to M/s. Shajar Capital Pakistan (Private) 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 Regulations 25(1)(a) thereof.

2. The Company is a securities 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 Notice No. T371 dated November 18, 2024 by the Joint Inspection Team (the “JIT”), comprising officials from Pakistan Stock Exchange (the “PSX”), Central Depository Company of Pakistan Limited (the “CDC”) and National Clearing Company of Pakistan Limited (the “NCCPL”), covering period from August 01, 2024 to October 31, 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 January 14, 2025 with the Company and the reply dated January 20, 2025 received thereon was duly included in the Inspection Report dated February 26, 2025 (the “Inspection Report”).

4. The Inspection Report revealed that the Company failed to enter details of proscribed entities/organizations into its database, showing that the screening procedures had not been effectively implemented, which is, *prima facie*, violation of the requirements of Regulation 25(1)(a) 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.”

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.”

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 Regulation 25(1)(a) of the AML Regulations. In response to the SCN, the Company vide its letter dated April 10, 2025, *inter alia*, made the following submissions:

- (i) The delay in entering the details of proscribed entities/organizations into the database was caused by a temporary system bug, which was reported to the vendor and has now been resolved. Snapshots of the system dated April 10, 2025 along with the relevant reports have been provided.
- (ii) The Company is now ensuring compliance and all relevant reports have been attached for reference.

7. In order to provide an opportunity for personal representation, a hearing in the matter was fixed for April 15, 2025 which was attended by Mr. Muhammad Munir, Chief Financial Officer (CFO) and Mr. Tahir Abbas, Manager Tax, as the Authorized Representatives of the Company (the "Authorized Representatives"). During the course of the hearing, the Authorized Representatives reiterated the stance taken vide letter dated April 10, 2025 and further, *inter alia*, stated that the Company had entered the details of proscribed entities/organizations into its database. However, due to a system error, reports were not generated during the Inspection. Subsequent reports were generated and submitted to the Inspection team.

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 respect to entering details of proscribed entities/organizations into its database, the Authorized Representatives during the hearing stated that the Company had implemented a proper screening system and had entered the details of proscribed persons/entities/organizations into its database. However, due to a temporary system bug, the relevant screening reports could not be generated at the time of Inspection. It was further submitted that the issue had been resolved and the reports were subsequently generated and shared with the Inspection team. However, it is pertinent to note that the Inspection team, in the Inspection Report, clearly noted that the Company did not provide any evidence demonstrating the existence of the list of proscribed persons/entities/organizations into its database.
- (ii) Furthermore, the evidence provided in response to SCN by the Company comprises system-generated screenshots showing client verification checks against the UNSCR and NACTA lists along with the list of proscribed persons/entities/organizations entered into the database. However, upon examination of the same, it is observed that the evidence submitted does not substantiate the Authorized Representatives' claim that the details of proscribed persons/entities/organizations were entered and available into the database at the time of the Inspection Period. Moreover, the evidence submitted only shows the notification dates of the proscribed persons/entities/organizations, but lacks any dates or timestamps to demonstrate that such a database existed prior to or during the Inspection.
- (iii) It is imperative to underscore that Regulation 25(1)(a) of the AML Regulations places an obligation on regulated entities to develop and implement effective screening mechanisms and procedures to detect any potential matches with designated/proscribed individuals or entities. The absence of such a database undermines the screening procedures to detect the matches with the proscribed person, thereby contravenes the requirements of Regulation 25(1)(a) of the AML Regulations.

9. In view of foregoing, the contravention Regulations 25(1)(a) of the AML Regulations has 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.50,000/- (Rupees Fifty 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 07, 2025
Islamabad.