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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s. Abhi (Private) Limited
Number and Date of Show Cause Notice (the SCN):	SCD/ADJ-I/ABHI/149/2023-335 dated February 10, 2025
Respondents:	M/s. Abhi (Private) Limited
Date(s) of Hearing(s):	March 11, 2025;
Case represented by:	Syed Mohammed Ali Raza, Company Secretary; (as Authorized Representative)
Provisions of law involved:	Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 and Rules 4(1)(a) and 6(1) of the AML/CFT Sanctions 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 5, 27(1)(a) and 27(2)(c)(i) thereof.
Date of the Order:	May 08, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the **"Commission"**) through the Show Cause Notice No. SCD/ADJ-I/ABHI/149/2023-335 dated February 10, 2025 (the **"SCN"**) against M/s. Abhi (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 (the **"AML Regulations"**), 2020 and Regulations 5, 27(1)(a) and 27(2)(c)(i) thereof.

2. The Company was incorporated on April 20, 2021, under the Companies Act, 2017 (the **"Act"**) and is licensed by the Commission to carry out investment finance services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the **NBFC Rules**) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the **NBFC Regulations**).

3. The brief facts of the matter are that inspection of the Company was ordered under Section 6A(2)(f) of the AML Act and in pursuance of SRO 380(I)/2021 dated March 31, 2021, vide inspection order number SECP/OD/APL/2023-24/294 dated April 22, 2024, covering the period from January 01, 2023 to December 31, 2023. The scope of the inspection included to check compliance with applicable Anti Money Laundering (AML) / Combating the Financing of Terrorism (CFT) / Targeted Financial Sanctions (TFS) regulatory frameworks. The Inspection Team (the **Team**) shared its findings with the Company through a Letter of Finding dated June 28, 2024 (LOF), and comments received thereon vide letter dated July 12, 2024, were included in the Inspection Report dated July 19, 2024 (the **Inspection Report**).

4. The Inspection Report revealed the following deficiencies with the AML/CFT regulatory framework:

- (i) The Company had not formulated and implemented any policies, procedures and controls that are reviewed and approved by its Board to ensure regulatory compliance related to AML/CFT/TFS regulatory framework. Although, the Company developed processes and procedures related to AML-CFT and TFS; however, these processes, procedures, and controls were not governed under any documented policies, procedures and controls that were reviewed and approved by its Board of Directors (**BOD**), contrary to the requirement of regulation 5 read with regulation 27(2)(c)(i) of the AML Regulations.

- (ii) The position of "Head of Compliance" was vacant since the resignation of their Former Compliance Officer on June 13, 2023. The Board and the Management of Abhi had not filled the position of "Head of Compliance" after a lapse of considerable time nor appointed any Compliance Officer to ensure the Company's compliance with applicable regulatory framework especially related to AML-CFT and TFS obligations contrary to the requirement of regulation 27(1)(a) of the AML Regulations.

5. The aforesaid contraventions indicate that the Respondents, *prima facie*, failed to comply with the requirements of regulations 5, 27(2)(c)(i) and 27(1)(a) of the AML Regulations which attracts the penal provisions of regulation 31 of thereof read with Section 6A(2)(h) of the AML Act and Rule 4(1)(a) and 6(1) of the AML Rules. The relevant provisions of law are as under:

Regulation 5 of the AML Regulations:

"Risk Mitigation and Applying Risk Based Approach - The regulated person shall: (a) have policies, controls and procedures, which are approved by its board of directors, to enable them to manage and mitigate the risks that have been identified in its own risk assessment and any other risk assessment publicly available or provided by the Commission; (b) monitor the implementation of those policies, controls and procedures and to enhance them if necessary; and (c) take enhanced measures to manage and mitigate the risks where higher risks are identified."

Regulation 27(1)(a) 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:

- (a) compliance management arrangements, including the appointment of a compliance officer at the management level, as the individual responsible for the regulated person's compliance with these Regulations, the AML Act and other directions and guidelines issued under the aforementioned regulations and laws."*

Regulation 27(1)(a) of the AML Regulations:

"(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;"

Regulation 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."

Rules 4(1)(a) of the AML Rules:

"(1) On any contravention as set out in rule 3(2), any or all of the following sanctions may be imposed by the concerned AML/CFT Regulatory Authority, namely: -

- (a) Impose a monetary penalty in accordance with these Rules;"*

Rules 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."

Section 6A(2)(h) of the AML Act, 2010:

"(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."

6. While taking cognizance in the matter, the SCN was issued to the Company calling upon it to show cause in writing as to why penalty as provided under regulation 31 of the AML Regulations, read with Section 6A(2)(h) of the AML Act and rules 4(1)(a) and 6(1) of the AML Rules may not be imposed for contravening the above-mentioned provisions of the law. In response to which the Company vide its letter dated February 24, 2025, *inter alia*, submitted as under:

- (i) The Company perform requisite screening and ongoing monitoring as per AML Regulations and in this regard the Company has also approved an AML and KYC Policy on October 4, 2024 from the BOD.
- (ii) The vacancy in the Compliance Department has been successfully filled with the appointment of a new Compliance Officer on September 25, 2024. The selected individual has since been employed with the Company and formally confirmed on December 25, 2024.

7. In order to provide an opportunity for personal representation, a hearing in the matter was fixed for March 11, 2025. The hearing was attended by Syed Mohammed Ali Raza (Company Secretary) as the Authorized Representative of the Company. The Authorized Representative reiterated the written stance made vide letter dated February 24, 2025 and further submitted as under:

- (i) Previously the Company approved the Know your Customer (KYC) policy in April 2022, and has developed and implemented the processes and procedures related to AML-CFT and TFS. Now new AML policy documents has been duly approved by the Board on October 4, 2024. Thus, they complied with the requirement of the law; and
- (ii) The ex-compliance officer, left the Company in June 2023 and since then Senior Credit Analyst was looking after the compliance function in addition to his original duties. However, now the Company has also appointed the new compliance officer on September 25, 2024. Hence the said requirement of law has been complied with.

8. I have reviewed the facts of the case, written submission and response to LOF made by the Company and also considered the written and verbal submissions made by the Authorized Representative. At this juncture, it is important to discuss the following legal and factual elements:

- (i) With respect to the AML Policy, it has been observed that in accordance with regulations 5 and 27(2)(c)(i) of the AML Regulations, regulated persons are required to establish policies, procedures, and controls, **duly approved by their BOD**, to manage and mitigate ML/TF risks identified through internal assessments or publicly available sources, including those issued by the Commission. These measures must be subject to regular review and enhancement to ensure their continued effectiveness, and it is the responsibility of the Compliance Officer to ensure their proper implementation. In the present case, while the Company had developed certain AML/CFT/TFS related processes and procedures, however, these were not governed under any formal document duly approved by the BOD. The Company has acknowledged this deficiency in response to LOF by, *inter alia*, stating that it is in process of formulating an internal policy that shall be duly approved by the BOD and in response to SCN has submitted that the AML Policy was subsequently approved by its BOD in October 2024. This exhibited that the Company remained non-compliant with the afore-said requirement during the review period of the inspection.
- (ii) With respect to the position of Compliance Officer, it is noted that regulation 27(1)(a) of the AML

Regulations mandates that every regulated person must appoint a Compliance Officer at the management level, responsible for ensuring compliance with the AML Regulations, the AML Act, and any directions or guidelines issued thereunder. However, it has been observed that the position of compliance officer in the Company remained vacant from June 13, 2023 upon his resignation, until the appointment of compliance officer has been made on September 25, 2024 i.e. period exceeding fifteen months. Although the Company claimed that it assigned the additional charge of compliance functions to its senior credit analyst during this period, such an arrangement does not fulfill the regulatory requirement of appointing a designated compliance officer at the management level. Therefore, the Company's failure to appoint a qualified compliance officer at the management level during this review period constitutes a clear and sustained violation of regulation 27(1)(a) of the AML Regulations.

9. In view of foregoing, the contraventions of regulations 5, 27(1)(a) and 27(2)(c)(i) 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 have given due consideration to the grounds presented by the Company and its Authorized Representative to the said non-compliance. Due consideration has also been given to the fact that these non-compliances have been rectified by the Company subsequent to conclusion of inspection. 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. 80,000/- (Rupees Eighty Thousand Only)** on the Company on account of established default.

10. 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 08, 2025
Islamabad.