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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**Adjudication Department- I****Adjudication Division****Before****Mahboob Ahmad, Additional Director/Head of Wing**
(Licensed Entities-Adjudication Department-I)

In the matter of

BLINK CAPITAL MANAGEMENT (PVT.) LIMITED

Show Cause Notice No. & Issue Date:	2(233)SMD/PMEX/Adj-1/2020 dated June 27, 2024
Date(s) of Hearings:	August 06, 2024
Present at the Hearing	Moazzam Ali - Consultant

ORDER**UNDER REGULATION 31 OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (ANTI MONEY LAUNDERING, COMBATING THE FINANCING OF TERRORISM AND COUNTERING PROLIFERATION FINANCING) REGULATIONS, 2020 READ WITH 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**

This Order shall dispose of the proceedings initiated through the Show Cause Notice dated June 27, 2024 (the SCN) by the Securities and Exchange Commission of Pakistan (the Commission) against Blink Capital Management (Pvt.) Limited (the Respondent and/or the Company) on account of alleged contravention of Regulation 25(1)(a) and 23(2) read with Regulation 31 of Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 (the AML/CFT/CPF Regulations), Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (the AML Act) and Rule 4(1)(a) and 6(1) of the AML/ CFT Sanctions Rules, 2020 (the AML/CFT Rules).

2. During the review of the compliance status of the Respondent with the requirements of AML/CFT/CPF Regulations for the period **January 01, 2023 to December 31, 2023** (the Review Period), it was observed that:

- a) The Respondent failed to develop mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect matches with stated designated persons in the SROs and notifications issued by MoFA NACTA and MoI, contravening Regulation 25(1)(a) of the AML/CFT/CPF Regulations.
- b) The Respondent failed to document the decision of categorizing the below-mentioned 15 customers as low risk, hence contravening Regulation 23(2) of AML/CFT/CPF Regulations.



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Low Risk Rating Not Justified	
S. No.	Trading ID
1	203211136
2	203210863
3	203210942
4	203210764
5	203210931
6	203211113
7	203210925
8	203211219
9	203211057
10	203211180
11	203211165
12	203211042
13	203210881
14	203210905
15	203211206

3. The aforementioned non-compliances attract the applicability of Regulation 31 of the AML/CFT/CPF Regulations read with Section 6(A)(2)(h) of the AML Act and Rule 4(1)(a) and 6(1) of the AML/CFT Rules.

4. While taking cognizance in the aforesaid matter, the SCN was issued to the Respondent, calling upon it to show cause in writing as to why penalty as provided under Regulation 31 of the AML/CFT/CPF Regulations read with Rules 4(1)(a) and 6(1) of the AML Rules and Section 6(A)(2)(h) of the AML Act, may not be imposed on it for contravening the aforementioned provisions of the law. In response to the SCN the Respondent vide its letter dated August 05, 2024 has submitted as under:

"...In reply to the said Notice we submit under:

- 1. That, the Company has fully complied with Regulation 25(1)(a) and 23(2) of the AML/CFT/CPF Regulations and regularly maintain a record for screening and monitoring of customers and their nominees/beneficial owners and also filtered of such persons as with the designated/proscribed as mentioned in the SROs and notifications Issued by the MoFA, NACTA and MoI. However, inadvertent mistake on the part of Compliance Department of the Company for non-attachment of relevant documents during Inspection is highly regretted. Please find enclosed the certified true copies of documents in this regard.*
- 2. That, the Company has gone through all the correspondence regarding Inspection of the Company conducted by the PMEX under clause 3.36 of PMEX Rule Book with respect to requirements stipulated under the SECP AML/CFT/CPF Regulations whereby the Company understands that the Compliance Department of the Company has provided all the information and submitted all the documents point wise as required by the PMEX but*



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misapprehended the point no. 9 and mistakenly attached the inaccurate document in response to the Inspection.

3. *That, it is hereby declared that keeping in view the importance of compliance and the requirements of Anti Money Laundering laws, the Company has always maintained all the records and the Compliance Department of the Company have timely responded and submitted all the documents as and when required by the PMEX and SECP and the Company has never intended to and undertakes to avoid any legal compliances or violate any rules and regulations as applicable under the laws.*

In light of above submissions along with the documents appended herewith, a lenient view may very kindly be taken and the said inadvertent default in filing of document with PMEX during Inspection may be condoned and further it is hereby humbly requested that the Show Cause Notice may very kindly be withdrawn... ”

5. In order to provide the Respondent an opportunity of personal representation, hearing in the matter was fixed for August 06, 2024 which was attended by Mr. Moazzam Ali (Consultant) as its Authorized Representative (**the Representative**). During the course of hearing, the Representative explained reasons for the alleged non-compliances, as narrated in the SCN. The Representative reiterated the same stance as taken in response to the SCN vide letter dated August 05, 2024 and stated as under:

- Reasons for categorization of clients as low-risk along with customer risk assessment forms will be provided subsequent to the hearing.
- Policy mechanism for screening of its clients will be provided subsequent to the hearing.

6. The Respondent on August 13, 2024 submitted customer risk assessment forms of abovementioned 15 clients along with their KYC, screenshots of screening for potential matches of NACTA database for these 15 clients and MS excel sheets containing screening snapshots. The Respondent failed to provide the processes, procedures and mechanism for screening of customers against proscribed persons/ entities.

7. I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondent and its Representative. At this juncture, it is essential to address the following:

(i) **Whether the Respondent developed mechanisms, processes and procedures for screening and monitoring clients to detect matches with SROs and notifications issued by MoFA, NACTA and MoI?**

The Respondent in its written reply has submitted screenshot of screening of 15 clients with the website of NACTA. However, the Respondent failed to provide any policy documents or its procedures for screening of proscribed persons with notifications issued by MoFA, NACTA. It is pertinent to mention here that merely providing a screenshot of screening with NACTA website does not address the requirement of Regulation 25(1)(a) of the AML/CFT/CPF Regulations which requires a regulated person to 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



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MoI. The Respondent failed to demonstrate its mechanism, processes and procedures for screening against proscribed individuals and is therefore, held liable for contravention of Regulation 25(1)(a) of the AML/CFT/CPF Regulations.

(ii) Whether the Respondent documented the decision of categorizing clients as low risk?

The Respondent in its reply to the SCN provided documents namely "Customer Risk Assessment" for 15 clients. Scrutiny of these forms revealed that the Respondent has documented risk factors including general risk factors, country/ geographical risk factors, services/ product related risk factors, delivery channel risk factors and reputational risk screening as justification for assigning low-risk rating to the clients. Therefore, the Respondent is not to be held accountable for the contravention of Regulation 23(2) of the AML/CFT/CPF Regulations.

8. In view of the foregoing and the admission made by the Representative, non-compliances/ contraventions of the Regulation 25(1)(a), which attract the applicability of Regulation 31 of the AML/CFT/CPF Regulations read with Rules 4(1)(a) and 6(1) of the AML Rules and Section 6A(2)(h) of the AML Act. I, hereby, in terms of powers conferred upon me under 6(A)(2)(h) of the AML Act read with Regulation 31 of the AML/CFT/CPF Regulations, impose a penalty of **Rs. 100,000 /-** (**Rupees One Hundred Thousand only**) on the Respondent on account of established default.

9. The Respondent 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
Licensed Entities - Adjudication Department-I

Announced:

November 15, 2024
Islamabad