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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

AA GOLD COMMODITIES (PVT) LIMITED

Show Cause Notice No. & Issue Date:	2(377)SMD/Adj-1/2022 dated February 22, 2024
Date(s) of Hearings:	May 02, 2024 July 10, 2024 July 18, 2024 August 28, 2024
Present at the Hearing	None (Authorized Representative)

ORDER**UNDER REGULATION 31 OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (ANTI MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM) REGULATIONS, 2020 READ WITH SECTION 6(A)(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 February 22, 2024 (**the SCN**) by the Securities and Exchange Commission of Pakistan (**the Commission**) against AA Gold Commodities (Pvt) Limited (**the Respondent and/or the Company**) on account of alleged contravention of SRO 920(I)/2020 dated September 28, 2020 (**the SRO 920**) in conformance with SRO197(I)/2021 date February 12, 2021 (**the SRO 197**) under Regulation 31 of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (**the AML/CFT Regulations**) read with 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. The Respondent was incorporated in Pakistan on February 27, 2008 as a Private Limited Company under the Companies Ordinance, 1984 (**the Ordinance**) (repealed by the Companies Act, 2017). The Company is an active Trading Right Entitlement Certificate (TREC) holder of Pakistan Mercantile Exchange Limited (**PMEX**). The principal activities of the Company are to carry on the business of brokers, traders, dealers and representatives in all sort of approved commodities of PMEX. The Company is a regulated person as per definition stated at Clause (r) of Regulation 3(1) of the AML/CFT Regulations.

3. The Commission issued the SRO 920 and subsequently the SRO 197, whereby, all Regulated Persons were directed to comply with the following reporting requirements and submit information in the manner prescribed therein:

- Annual risk assessment and control/compliance assessment framework based on data and information as on March 31st, to be filed by April 30th;
- Quarterly information/ data on 30th of the subsequent month of every quarter;
- Compliance report on Statutory Regulatory Orders issued by the Ministry of Foreign Affairs (**the MOFA**), under the United Nations (Security Council) Act, 1948 or intimation from National Counter Terrorism Authority /Law Enforcement Agencies/Home Departments of



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Provinces/Ministry of Interior regarding updates in the list of proscribed person(s)/entity(ies) under the Anti-Terrorism Act, 1997 (ATA, 1997) within **forty-eight (48) hours** of receiving the same on <https://eservices.secp.gov.pk/eservices/> by authorized officer of the Regulated Persons.

4. During the review of the compliance status of the Respondent with the requirements of the SRO 920 and SRO 197 for the period from **July 01, 2022 to June 30, 2023 (the Review Period)**, it was observed that:

a) The Respondent had not submitted the compliance reports as required under Clause A and B of the SRO 920 in conformance with SRO 197, detailed as under:

S. No.	Name of Submission	Due Date	Submission Status
1	AML Annual Risk Assessment Report, 2023	30-Apr-2023	Not Submitted
2	3 rd Quarter 2022 AML information /data report	31-Oct-2022	Not Submitted
3	4 th Quarter 2022 AML information /data report	31-Jan-2023	Not Submitted
4	1 st Quarter 2023 AML information /data report	30-April-2023	Not Submitted
5	2 nd Quarter 2023 AML information /data report	31-July-2023	Not Submitted

b) The Respondent had not submitted the compliance reports on Statutory Regulatory Orders in 30 number of instances while in 26 number of instances the compliance report is submitted with delay (**Annexure-A**) which is in contravention of Clause D of the SRO 920.

5. The Commission vide email dated November 14, 2023, sought an explanation from the Respondent, with regard to the above-mentioned non-compliances of the SRO 920 in conformance with SRO 197, where relevant. Respondent vide email dated November 24, 2023, responded as follows:

"As per your telephonic conversation with our CEO Muhammad Asif Habib, it is requested kindly grant us 60 days' time from today to submit AML Quarterly and Annual Reports as our CEO is currently recovering from a severe road accident and as per doctor's instructions, he will join office within 60 days."

6. The response is found unsatisfactory. Non-submission/ delayed response of the aforementioned compliance reports is non-compliance of Regulation 4 of the AML/CFT Regulations read with clause A and B of SRO 920 in conformance with SRO 197, and Regulation 25 of the AML/CFT Regulations read with clause D of the SRO 920.

7. The aforementioned non-compliances attract the applicability of Regulation 31 of the AML/CFT 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. The relevant provisions are reproduced as under:

SRO 920(I)/2020 dated September 28, 2020:

"A. Annual risk assessment and control/compliance assessment framework based on data and information as on 30 June, to be filed by 31st July of each financial year ("FY"), starting from the date of notification of this directive, and as instructed from time to time by the Commission.

a) Risk Assessment Framework: Regulated Entities should undertake and submit their internal annual risk assessment which should be aligned with the risks identified in the latest National Risk Assessment of the country and cover the process adopted for risk identification. The risk assessment methodology should cover the risk emanating from customers, products,



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geography and delivery channels, elaborate risk tolerance level and assess residual risk after implementation of mitigation measures. Regulated Entities are encouraged to use the template given in Annex 1 to the Guidelines for reference, but may choose their own risk assessment methodology that best suits or represents their business covering the aforementioned risks, in light of the AML Act, 2010 and the Regulations. The risk assessment report should be reviewed and approved by the board of Page 2 of 4 directors of the Regulated Entities and shall be signed by the chief executive officer/ company secretary.

- b) *Compliance Assessment Checklist: Regulated Entities should submit their annual compliance assessment checklist to demonstrate adequacy and effectiveness of AML/CFT compliance framework in light of the Regulations, and are encouraged to use the checklist provided in Annex 2 to the Guidelines for this purpose.*

B. Quarterly information/ data on 30th of the subsequent month of every quarter, containing the following information:

- a) *Extracts of the discussion / deliberations on ML/TF risks and issues, by board of directors and/or management committees;*
- b) *Number of new customer accounts opened during the period according to risk categorizations i.e. high, medium and low and their respective investment amount;*
- c) *Total number of foreign and domestic politically exposed persons ("PEP") and their total value of investments/deposits/financing etc. during the period;*
- d) *Number of accounts/transactions closed and rejected for non-compliance of Customer Due Diligence ("CDD") process and due to identification in proscribed person/Targeted Financial Sanction ("TFS");*
- e) *Documentation of any activity for which a Suspicious Transaction Report ("STR") was considered but not filed along with rationale, during the period;*
- f) *Copies of reports/mechanism to identify unusual transactions warranting further review;*
- g) *Number of suspicious transactions, attempted transactions and currency transaction reports submitted to Financial Monitoring Unit ("FMU");*
- h) *Detail of complaints received on account of Know Your Customer ("KYC") / AML, including its status i.e. in process/ resolved / closed, during the period;*
- i) *Details of trainings conducted on AML/CFT for new and existing staff including number of participants and topics covered;*
- j) *Number of customers transferred from one risk category to another and their amount of investments;*
- k) *Confirmation of having an automatic Transaction Monitoring System ("TMS") or otherwise? If yes, the name of TMS used;*
- l) *Do you have automatic name screening solution? If yes, then what is the name of screening solution? If not, what are your future plans w.r.t.to automation;*
- m) *Upgradation in AML CFT policies/manuals during the reporting period;*
- n) *How much human resource is deployed for AML CFT and Compliance Function? Details of increase in number of employees during the period.*

...
D. Compliance report on Statutory Regulatory Orders issued by the Ministry of Foreign Affairs under United Nations (Security Council) Act, 1948 or intimation from National Counter Terrorism Authority /Law Enforcement Agencies/Home Departments of Provinces/Ministry of Interior regarding updates in the list of proscribed person(s)/entity(ies) under the Anti-Terrorism Act, 1997, shall be submitted to the Commission within forty-eight (48) hours of receiving the same in the manner as may be instructed from time to time by the Commission.
...



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Any person to whom this directive applies and who contravenes or fails to comply with the requirements of this directive or submits a return which is false in a material respect or where under a misstatement is made shall be liable to sanction in accordance with AML/CFT Sanctions Rules, 2020 issued under the AML Act, 2010 and imposed by the Commission according to section 6A of the AML Act."

SRO 197(I)/2021 dated February 12, 2021:

"In the aforesaid Notification, in section A, for their expression '30 June, to be filed by 31st July' the expression '31st March, to be filed by 30th April' shall be established."

Regulation 4 of the AML/CFT Regulations:

"4. Risk Assessment - 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;*
- (b) consider all the relevant risk factors before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied;*
- (c) keep their risk assessments up to date;*
- (d) categorize its own overall entity level risk as high, medium or low based on the result of risk assessment; and*
- (e) have appropriate mechanisms to provide risk assessment information to the Commission."*

Regulation 25 of the AML/CFT Regulations:

"(1) 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."*

Regulations 31 of the AML/CFT 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."

Section 6(A)(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/CFT Rules:

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

Rule 6(1) of the AML/CFT 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."



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8. 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 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. The Respondent failed to provide written response to the SCN even after considerable lapse of time.

9. In order to provide the Respondent an opportunity of personal representation, hearing in the matter was fixed for May 02, 2024 which was not attended by the Company or any of its Authorized Representative. Subsequently, a second hearing was fixed for July 10, 2024 which also remained unattended. Another hearing in the matter was fixed for July 18, 2024 which the Company did not respond or appear in as well. Final hearing notice was issued for August 28, 2024 to the Company and was also sent to personal address of the Chief Executive however, no one appeared.

10. I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the allegations levelled against the Respondent in the matter. At this juncture, it is essential to address the following:

(i) **Whether the Respondent made timely compliance with the requirements of the SROs?**

No, the Respondent did not make timely compliance with respect to Regulation 4 of the AML/CFT Regulations, as outlined in clauses A and B of SRO 920, in accordance with SRO 197, detailed as under:

S. No.	Name of Submission	Due Date	Submission Status
1	AML Annual Risk Assessment Report, 2023	30-Apr-2023	Not Submitted
2	3 rd Quarter 2022 AML information /data report	31-Oct-2022	Not Submitted
3	4 th Quarter 2022 AML information /data report	31-Jan-2023	Not Submitted
4	1 st Quarter 2023 AML information /data report	30-April-2023	Not Submitted
5	2 nd Quarter 2023 AML information /data report	31-July-2023	Not Submitted

In 26 number of instances, the compliance report was submitted with delay, contravening Clause D of the SRO 920. Further, the Respondent also did not make compliance in respect of 30 instances with the requirements of Regulation 25 of the AML/CFT Regulations read with clause D of the SRO 920.

(ii) **Was the Respondent given ample opportunities for hearings during the adjudication proceedings before the Authorized Officer?**

Proper procedure has diligently been followed, ensuring that the Respondent has been accorded ample opportunities for hearings during the adjudication proceedings before the Authorized Officer. Multiple hearing notices have been meticulously served to the Respondent. However, no response was received from the Respondent till date, as neither did they provide any reply to the SCN nor attended the hearings.

Therefore, it shows that the Respondent has been habitual in non-appearance before the relevant authorities during the investigation and adjudication proceedings, failing to fulfill its fiduciary responsibilities as specified in the law, which establishes the contravention with the requirements of the law.



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11. In view of the foregoing, non-compliances/ contraventions of the Regulation 4 of the AML/CFT Regulations read with clause A and B of SRO 920 in conformance with SRO 197 and Regulation 25 of the AML/CFT Regulations read with clause D of the SRO 920 have been established, which attract the applicability of Regulation 31 of the AML/CFT Regulations read with Rules 4(1)(a) and 6(1) of the AML Rules and Section 6A(2)(h) of the AML Act. Therefore, I, in terms of powers conferred upon me under 6(A)(2)(h) of the AML Act, impose a penalty of **Rs 910,000/- (Rupees Nine Hundred and Ten Thousand Only)** on the Respondent on account of established default.

12. The Respondent is also advised to ensure meticulous compliance with all applicable laws of Anti Money Laundering and Countering Financing of Terrorism in true letter and spirit, henceforth.

13. 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.

14. This Order is issued without prejudice to any other action that the Commission may initiate against the Company and/or its CEO in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

(Mahboob Ahmad)

Additional Director / Head of Wing

Licensed Entities - Adjudication Department-I

Announced:

September 04, 2024

Islamabad

ANNEXURE-A**1. 26 instances where Compliance Reports were submitted with delay:**

S. No	Name	Due Date	Date of Filing	Delay (No. of Days)
1.	HD PUNJAB (Addition) 2 individuals	2-Jun-23	21-Dec-2023	202
2.	HD PUNJAB (Addition) 5 individuals	7-Jun-23	22-Dec-2023	198
3.	HD PUNJAB (Addition) 4 individuals	21-Jun-23	22-Dec-2023	184
4.	HD PUNJAB (Addition) 2 individuals	23-Jun-23	22-Dec-2023	182
5.	SO(IS-I)4-02/2021 (addition)RYKHAN 7 individual	6-Jul-22	11-Aug-2022	36
6.	SO(IS-I)4-02/2021 (addition) Lodhran 3 individual	7-Jul-22	11-Aug-2022	35
7.	SO(IS-I)4-02/2021 (addition)5 individual	28-Jul-22	31-Aug-2022	34
8.	HD Punjab - Addition dated 14.11.22 (10 Individuals)	16-Nov-22	14-Dec-2022	28
9.	SO(IS-I)4-02/2021 (addition) 8 individual	22-Dec-22	10-Jan-2023	19
10.	HD PUNJAB (Addition) 1 individual	22-Feb-23	10-Mar-2023	16
11.	HD PUNJAB (Addition) 7 individuals	23-Feb-23	10-Mar-2023	15
12.	HD PUNJAB (Addition) 7 individuals	23-Feb-23	10-Mar-2023	15
13.	SO(IS-I)4-02/2021 (addition) 11 individual	19-Jan-23	31-Jan-2023	12
14.	HD PUNJAB (Addition) 1 individual	26-Feb-23	10-Mar-2023	12
15.	HD PUNJAB (Addition) 2 individuals	1-Jun-23	12-Jun-2023	11
16.	HD Punjab - Addition dated 11.11.22 (4 Individuals)	13-Nov-22	23-Nov-2022	10
17.	HD BALOCHISTAN(addition)3 individuals	1-Mar-23	10-Mar-2023	9
18.	HD PUNJAB (Addition) 8 individuals	19-Apr-23	27-Apr-2023	8
19.	HD PUNJAB (Addition) 8 individuals	19-Apr-23	27-Apr-2023	8
20.	HD PUNJAB (Addition) 4 individuals	17-May-23	24-May-2023	7
21.	HD PUNJAB (Addition) 13 individuals	17-May-23	24-May-2023	7
22.	HD PUNJAB (Addition) 12 individuals	25-Jan-23	31-Jan-2023	6
23.	HD Balochistan- Addition dated 26.09.22 (7 Individuals)	23-Oct-22	27-Oct-2022	4
24.	HD PUNJAB (Addition) 5 individuals	12-Apr-23	16-Apr-2023	4
25.	HD Punjab - Addition dated 08.12.22 (4 Individuals)	10-Dec-22	14-Dec-2022	4
26.	HD Punjab Addition dated 17.11.2022 - Muhammad Akmal	20-Nov-22	23-Nov-2022	3

2. 30 instances where Compliance Reports were not submitted:

S. No.	Instances	Due Date
27.	SO(IS-I)4-02/2021 (addition-khanewal) 1 individual	31-Aug-22
28.	SO(IS-I)4-02/2021 (addition) 1 individual	24-Nov-22
29.	SO(IS-I)4-02/2021 (addition) 1 individual	4-Dec-22
30.	SO(IS-I)4-02/2021 (addition)2 individual	22-Dec-22
31.	SO(IS-I)4-02/2021 (addition) 2 individual	22-Dec-22
32.	SO(IS-I)4-02/2021 (addition) 2 individual pakpattan	20-Aug-22
33.	SO(IS-I)4-02/2021 (addition)2 individual	20-Jul-22
34.	hd punjab addition dated 15.03.2023 1 individual	17-Mar-23
35.	SO(IS-I)4-02/2021 (addition) 19 individual	17-Aug-22
36.	SO(IS-I)4-02/2021 (addition) 10 individual	17-Aug-22
37.	SO(IS-I)4-02/2021 (addition) 5 individual	16-Jul-22
38.	SO(IS-I)4-02/2021 (addition) 2 individual ABBOTTABAD	14-Sep-22
39.	SO(IS-I)4-02/2021 (addition) 1 individual	15-Jul-22
40.	SO(IS-I)4-02/2021 (addition) 5 individual	4-Sep-22
41.	SO(IS-I)4-02/2021 (addition) 1 individual MOFA	13-Oct-22
42.	SO(IS-I)4-02/2021 (addition) 1 individual - MOFA	13-Oct-22
43.	SO(IS-I)4-02/2021 (addition) 3 individuals	12-Nov-22
44.	SO(IS-I)4-02/2021 (addition) 233 individual	11-Sep-22



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45.	SO(IS-I)4-02/2021 (addition) 59 individual	10-Sep-22
46.	SO(IS-I)4-02/2021 (addition) 4 individual khanewal	10-Sep-22
47.	HD Punjab Addition -Faisalabad	9-Dec-22
48.	SO(IS-I)4-02/2021 (addition) 20 individual	9-Jul-22
49.	SO(IS-I)4-02/2021 (addition) 12 individual	9-Jul-22
50.	SO(IS-I)4-02/2021 (addition) 10 individual	9-Jul-22
51.	SO(IS-I)4-02/2021 (addition) 3 individual	8-Jul-22
52.	SO(IS-I)4-02/2021 (addition) 28 individual	8-Jul-22
53.	SO(IS-I)4-02/2021 (addition) 1 individual	15-Jul-22
54.	SO(IS-I)4-02/2021 (addition) 5 individual	6-Aug-22
55.	SO(IS-I)4-02/2021 (addition) 1 individual -Jhelum	5-Oct-22
56.	SO(IS-I)4-02/2021 (addition) 1 individual	4-Dec-22