



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Specialized Companies Division  
Policy, Regulation Development Department  
Modaraba Wing

No.SC/M/PRDD/ORIX/2019- 344

December 30, 2019

The Chief Executive,  
ORIX Services of Pakistan (Pvt.) Limited,  
Managers of ORIX Modaraba,  
Office No.601,6th Floor, Plot No, CL-10/20/2,  
Dr. Syedna Tahir Saiuddin Memorial Foundation Building,  
Beaumont Road, Civil Lines,  
Karachi.

**SUBJECT: ORDER UNDER SECTION 40A OF SECP ACT, 1997.**

Dear Sir,

Herewith attached the order of Registrar Modaraba under section 40 A of the Securities and Exchange Commission of Pakistan Act, 1997 dated December 30, 2019 for information and compliance.

Best Regards,

A handwritten signature in black ink, appearing to read 'Malik Asif Karim Awan', with a flourish at the end.

(Malik Asif Karim Awan)  
Management Executive



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT  
(MODARABA WING)

Before Ms. Bushra Aslam, Registrar Modaraba

In the matter of

ORIX Modaraba

Number and Date of Notice: SC/M.MS/ORIX/2019-299 dated December 4, 2019

Date of Hearing: December 19, 2019

Present for Respondent: Mr. Raheel Qamar Ahmad, Chief Executive Officer

**ORDER**

**Under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997**

This Order shall dispose of the proceedings initiated against ORIX Modaraba (the "Modaraba"), managed by ORIX Services Pakistan (Private) Limited (the "Modaraba Company") through show cause notice dated December 4, 2019 (the "Notice") issued under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "Act") for violation of S.R.O.245(1)/2019 dated February 22, 2019.

2. Brief facts of the case are that Securities and Exchange Commission of Pakistan (the "Commission") has notified the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "AML Regulations") vide SRO 770(I)/2018 dated June 13, 2018, which require all Regulated Persons to conduct self-risk assessment, have appropriate mechanisms to provide the risk assessment information to the Commission, and ensure implementation of targeted financial sanctions under the United Nations Security Council Resolutions, adopted by the Government of Pakistan, and refrain from forming business relationship with proscribed persons and entities under the Anti Terrorism Act, 1997(XXVII of 1997) and related matters. The term Regulated Person has been defined in the Regulations as "regulated person" for the purposes of these regulations means "securities brokers, futures brokers, Insurers, Takaful Operators, NBFCs and Modarabas". Further, the Regulated Persons through S.R.O. 245 (I)/2019 dated February 22, 2019 (the "SRO") are also directed to comply with the reporting requirements and submit information in the manner prescribed to the respective supervisory departments of the Commission, in consonance with the requirements of the AML Regulations and Guidelines.

3. Furthermore, Para iii of S.R.O. 245(1)/2019 requires the regulated persons to comply with the following:

*"Compliance report on statutory regulatory orders issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions and intimation from National Counter Terrorism Authority/Ministry of Interior regarding updates in list of proscribed persons under the Anti Terrorism Act, 1997, shall be submitted within three day of receiving the same, through email to aml.dept@secp.gov.pk by authorized officer of the Regulated Person."*

*Bushra*



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT  
(MODARABA WING)**

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4. In order to facilitate the submission of the above referred compliance reports by the regulated persons, the Commission has automated the reporting mechanism for its regulated entities. During our review of the compliance status of the regulated persons with the aforesaid requirement of the SRO, it has been noted that out of 60 SROs issued, the Modaraba responded to 29 SROs during the period August 1, 2019 to October 28, 2019. Furthermore, there are delays in responding 20 SROs between the period September 12, 2019 to October 23, 2019.

5. Consequently, the Notice dated December 4, 2019 under Section 40A of the Act was served on the Modaraba Company through its Chief Executive Officer ("CEO") as to why penalty may not be imposed on the Modaraba Company and its CEO in breach of the SRO. The Modaraba Company was also provided an opportunity of hearing on December 19, 2019 before the undersigned to clarify its position.

6. Hearing in the matter was conducted on December 19, 2019. Mr. Raheel Qamar Ahmad, Chief Executive Officer appeared. During the course of hearing, Mr. Raheel threw light on different measures and procedures in the Modaraba to combat the issues in question. He stated that there are a number of layers and procedures which are being employed to check, locate and to take action against the persons/transactions reported on the portal. He requested for submission of a detailed response to the Notice covering details of the measures and efforts of the management company to monitor and address the information. His request was acceded to.

7. Mr. Raheel vide letter dated December 24, 2019 submitted a response to the Notice and maintained that the Modaraba has adequate infrastructure to address Anti Money Laundering and Countering Financing Terrorism (AML & CFT) related issues. The risks are identified, monitored and prevented through AML & CFT policies and related procedures. A detailed mechanism for the said purpose is in place to find out suspicious transactions or persons in the record of the Modaraba.

8. As regards the violations of compliance alleged in the Notice, the Modaraba Company has clarified that out of 20 cases pertaining to delay, only 7 cases were dealt with delay due to public and weekend holidays. Similarly, in 8 cases, due to initial period of activation of the portal, the reporting was overlooked. The Modaraba Company has further assured the regulatory compliance in submission of the requisite responses in future and requested for expunge of the Notice from the record.

9. Before proceeding to decide the case, I deem it necessary to advert to the following relevant provisions of the SRO, under which the Notice was served on to the Company:

*"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 material respect or where under a misstatement is made shall be liable to imposition of penalty under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), which may extend to ten million rupees and where such contravention is a continuing one, with a further penalty*

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
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(MODARABA WING)

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*which may extend to one hundred thousand rupees for every day after the first during which such contravention continues."*

10. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, representations made by the Modaraba Company in its written response to the Notice and arguments advanced at the time of hearing. In view of the fact that the default has been removed and assurance for future compliance of the law has been committed, I am inclined to take a lenient view and do not impose any fine on the Modaraba Company. However, the Modaraba Company is warned to remain careful in future and ensure meticulous compliance with all applicable provisions of the law in future.

**Bushra Aslam**  
Registrar Modaraba

Announced  
December 30, 2019  
Islamabad.