

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to SAFCO Support Foundation

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Date of Hearing

February 14, 2020

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**Order-Redacted Version**

Order dated March 12, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of SAFCO Support Foundation. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated February 14 ,2020
2. Name of Company	SAFCO Support Foundation
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. SAFCO Support Foundation
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for contraventions of Regulations 6 (3) (a), 6 (4), 6 (5a) read with Regulation 13 (7) and Regulation 6 (8) AML and CFT Regulations, 2018
5. Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have examined the submissions of the Company and its Representatives. In this regard I observe that:</p> <p>(i) With regard to the identification of loan disbursements, the Company had submitted that subsequent to the NRA Report and Internal NRA risk assessment conducted in November, 2019, it had initiated the process of collection of such information to identify the customer or beneficial owner in compliance with the Regulations. The Company submitted that compliance on the said observation had been ensured from January 2020, and their MIS System has been updated to incorporate such information. As admitted, the Company has taken reasonable steps to identify the beneficial owners in case of loan applications and compliance of the said Regulation and they have put a system in place post inspection.</p>



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	<p>(ii) With regard to the NADRA Verisys of its clients, the Company had submitted that they had already taken up the matter with NADRA through formal channels i.e. letters and email communications, the evidence of which has been shared with this office. The Company provided no positive response was provided by NADRA due to internal procedures restrictions and data security systems. However, the Company ensures collection of snapshots of original CNIC of all customers during the due diligence process and validate the same through Compliance Section. Keeping in view that NADRA does not provide such services, the stance of the Company is tenable hence, it cannot be held accountable for violations of the said Regulations.</p> <p>(iii) With regard to deficiencies in the screening process of the Company, the Company submitted that it had started the collection of CNIC information from clients and incorporated the same in their MIS System effective from January 29, 2019, for which evidence was also submitted to this office. Further, the Company submitted that the CNIC information is automatically screened with the list of proscribed persons/ entities and for such, control mechanism has been defined in their MIS system. Therefore, in view of the measures and control mechanism adopted by the Company for the screening of its clients and development of its MIS system, the contravention of the said Regulation may not be established.</p> <p>(iv) With regard to the risk categorization of its clients, the Company submitted that the criteria for risk categorization has been incorporated into their AML/CFT policy however, during the inspection it was observed that the same had not been incorporated into their account opening/loan form. The Company admitted the same and provided that development of such component was at the initial stage as it was not completely incorporated into the MIS system during the inspection. Therefore, the Company was found non-compliant with Regulation 6(8) of the AML Regulations. In view of the contravention, the Respondent is directed to complete risk profiling of all its clients and properly document the same into the client's profiles. A compliance report in this regard shall be submitted within 60 days of the issuance of this order.</p>
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	<p>In view of the foregoing and the admission made by the Company, contraventions of the provisions of the AML Regulations have been established. Therefore, in terms of the power conferred under Section 40A of the Act, a penalty of Rs. 350,000/- (Rupees three hundred and fifty thousand only) is hereby imposed on the Company.</p> <p>Penalty order dated March 12, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 350,000/- (Rupees three hundred and fifty thousand) was imposed on the Company.
7. Current Status of Order	No appeal was filed.

Redacted version issued for placement on the website of the Commission.