

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

In the matter of Show Cause Notice issued to Summit Capital Private Limited

Date of Hearing

January 06, 2020

Order-Redacted Version

Order dated March 6, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Summit Capital Private Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated December 20, 2019
2. Name of Company	Summit Capital Private Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Summit Capital Private Limited and its Board of Directors.
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for violations of inter-alia Regulation 3(1)(a), 4(a), 6(3), 6(4), 6(5), 6(5a), 6(8), 9(4), 11(2) and 13(7) of 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 Authorised Representatives in light of the requirements of applicable provisions of the Regulations and have given due consideration to the written as well as verbal submissions and arguments of the Respondents. I am of the considered view that the Company did not ensure its compliance with the mandatory provisions of the Regulations as detailed hereunder:</p> <p>(i) In the absence of NADRA Verisys facility, the Company was relying on manual screening of its customers and list of customers did not include the additional details of customers authorized persons, beneficial owners, directors, nominees, father or husband (except joint account holder), etc. Therefore, this screening step adopted by the Company was not effective enough to mitigate the risk of forming a direct or indirect relationship with a proscribed/ designated individual/ entity which results in violation of Regulation 4(a) and Regulation 13(7) of the Regulations;</p> <p>(ii) Written justification for categorizing the customers as 'low risk' in the mentioned instances was not recorded at the time of categorization</p>



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	<p>and the same has subsequently been recorded. Failure in recording the justification at the time of making such decision constitutes violation of Regulation 11(2) of the Regulations.</p> <p>(iii) The verification of identity documents of the mentioned customers/beneficial owners was not carried out due to non-availability of NADRA verisys which constitutes violation of Regulation 6(5) of the Regulations.</p> <p>(iv) The Company did not have any such system in place that could generate automatic alerts about the expiry of CNICs, at least one month prior to their expiry date. This has resulted in violation of Regulation 6(4) read with Annexure I(iv) to the Regulations. Further, an updated copy of CNIC of authorized representative of the Corporate Client was not available and it was committed that updated copy would be provided; however, the same was not submitted. This also attracts violation of Regulation 6(4) read with Annexure I(iv) to the Regulations.</p> <p>(v) In case of a customer of the Company, it was submitted that she is being supported by her father who serves abroad. However, the Company did not conduct Verisys of identification documents in violation of Regulation 6(4) read with Annexure I(i) to the Regulations. Further, the Company did not verify the identity of the beneficial owner of the account, in violation of Regulation 6(5) of the Regulations.</p> <p>(vi) In case of another customer who is a student, no information was made available to the inspection team regarding the person supporting her. The Company has enclosed with its reply a copy of CNIC of his father along with a copy of letterhead dated November 18, 2019 confirming that he provides her financial support. However, the said customer was marked as 'high risk' but EDD measures including establishing by appropriate means, the sources of wealth and/or funds or beneficial ownership of funds and the Company's own assessment to this effect had not been taken in violation of Regulation 9(4)(b). Further, NADRA Verisys of her identification documents was also not carried out which results in violation of Regulation 6(4) read with Annexure I(i) of the Regulations.</p> <p>(vii) In case of another customer, the documentation reflected that the customer is a sole proprietor with 'declared' income of Rs. 15,000 on the account opening form. However, the only source of income/funds was a declaration on letterhead, without any business details or turnover, etc. It was submitted that he was a Fruit/ Vegetable Merchant. However, no request for account opening was submitted on his letterhead. This constitutes violation of Regulation 6(4) of the Regulations read with Annexure I to the Regulations. Furthermore, the</p>
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	<p>customer is categorized as 'high risk'; however, evidence of EDD measures including establishing by appropriate means, his sources of wealth and/or funds or beneficial ownership of funds, and the Company's own assessment to this effect was not provided. This has resulted in violation of Regulation 9(4)(b) of the Regulations. NADRA Verisys of his identity documents was also not performed, which results in violation of Regulation 6(4) read with Annexure I(i) of the Regulations.</p> <p>In view of the foregoing facts, I am of the considered view that multiple violations of the applicable provisions of Regulations, as narrated in the foregoing para 20, have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of Rs. 450,000/- (Rupees Four Lac Fifty Thousand Only) is hereby imposed on the Company. The Respondents are hereby directed to fully implement counter ML and TF measures including but not limited to formulation and implementation of policies, procedures and controls to ensure that the applicable requirements contained in the AML/CFT Regulations, are meticulously complied in true letter and spirit. It is further directed that its compliance report to the Brokers Compliance Department, Securities Market Division, Karachi may be submitted by March 31, 2020 in respect of all the obligatory measures regarding verification of identity documents of its customers and screening of its entire customers' database under the Regulations.</p> <p>Penalty order dated March 6, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 450,000/- (Rupees four hundred and fifty thousand) was imposed on the Company.
7. Current Status of Order	An appeal has been filed against this Order.

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