



# 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

#### **ALPHA CAPITAL (PRIVATE) LIMITED**

Show Cause Notice No. & Issue Date:	2(460)SMD/Adj-1/2024 dated June 24, 2024
Date(s) of Hearings:	July 19, 2024
Present at the Hearing	Muhammad Azfer – CEO Nadeem ul Haq – Director

#### 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 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 24, 2024 (the SCN) by the Securities and Exchange Commission of Pakistan (the Commission) against Alpha Capital (Pvt) Limited (the Respondent and/or the Company) on account of alleged contravention of Regulation 9(b), 10(b), 11 and 12(1) read with Note (ii) of Annexure- 1 of AML/CFT Regulations and Regulation 19(1)(a) and 19(1)(c) of AML/CFT Regulations 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 as a Private Limited Company and is an active Trading Right Entitlement Certificate (TREC) holder of Pakistan Stock Exchange (PSX).

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

- a) The Respondent failed to conduct NADRA Verisys/ Biometric Verification of 16 account holders, joint account holders, nominees, authorized persons, directors and trustees in contravention of Regulation 9(b), 10(b), 11 and 12(1) read with Note (ii) of Annexure- 1 of AML/CFT Regulations. Details of the clients are provided as under:

S.No	CDC Sub A/C.	Status
1	33668	Client
2	33809	Client
3	34617	Client
4	42461	Client
5	42586	Client



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6	42784	Client
7	33809	Joint A/C
8	34617	Joint A/C
9	22695	Nominee
10	33668	Nominee
11	24691	Attorney
12	35994	Attorney
13	23172	Trustees
14	38196	Directors
15	38212	Directors
16	40630	Directors

- b) The Respondent failed to conduct ongoing monitoring (KYC/CDD) of clients mentioned below. Therefore, the Respondent has contravened the Regulation 9(b), Regulation 10(b), Regulation 11, Regulation 12(1) read with Note (ii) of Annexure- 1 of AML/CFT Regulations, Regulation 19(1)(a) and Regulation (19)(1)(c) of AML/CFT Regulations.

CDC Sub A/C.	Status
8348	A housewife with custody of securities amounting to Rs. 15.3 million whereas, the Respondent provided tax return for the year ended 2023 which depicted her total annual income of Rs. 144,000 and net assets of Rs. 14.77 million however, her investment in securities does not commensurate with her net worth and source of funds.
2168	A house wife with net custody of securities amounting 10 Rs. 49 million whereas, the Respondent provided tax return for the year ended 2022, depicted total salary income of Rs. 855,722 per annum. The occupation was showing as house wife however, the tax return depicted annual salary income. Moreover, tax return depicted net wealth of Rs. 67.9 million, which included investments in properties as well. Hence, the investment of Rs. 19 million does not commensurate with the profile/ source of income of the client.

4. 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:

**Regulation 9(b) of the AML/CFT Regulations:**

*"The regulated person shall:*

*...*

*(b) verify the identity of that customer using reliable and independent documents, data and information as set out in Annex 1."*

**Note (ii) of Annexure- 1 of AML/CFT Regulations:**

*"(ii) The copies of identity documents shall be validated through NADRA verisys or Biometric Verification. The regulated person shall retain copy of NADRA verisys or Biometric Verification (hard or digitally) as a proof of obtaining identity from customer."*



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**Regulation 10(b) of the AML/CFT Regulations:**

*"Where the customer is represented by an authorized agent or representative, the regulated person shall:*

*...*

*(b) verify the identity of that person in using reliable and independent documents, data and information as set out in Annex 1."*

**Regulation 11 of the AML/CFT Regulations:**

*"The regulated person shall also identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner by using reliable and independent document, data or sources of information as set out in Annex 1, such that the regulated person is satisfied that it knows who the beneficial owner is."*

**Regulation 12(1) of the AML/CFT Regulations:**

*"(1) For customers that are legal persons or legal arrangements, the regulated person shall identify the customer and verify its identity by obtaining the following information in addition to the information required in Annex 1:*

*(a) name, legal form and proof of existence;*

*(b) the powers that regulate and bind the legal person or arrangement, as well as the names of the relevant persons having a senior management position in the legal person or arrangement; and*

*(c) the address of the registered office and, if different, a principal place of business."*

**Regulation 19(1)(a)(c) of the AML/CFT Regulations:**

*"Ongoing Monitoring - (1) The regulated person shall conduct ongoing due diligence on the business relationship, including:*

*(a) scrutinizing transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the regulated person's knowledge of the customer, their business and risk profile, including where necessary, the source of funds;*

*...*

*(c) undertaking reviews of existing records and ensuring that documents, data or information collected for the CDD purposes is kept up-to-date and relevant, particularly for higher risk categories of customers."*

**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;"*





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**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."

5. 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. In response to the SCN the Respondent vide its letter dated July 05, 2024 has submitted as under:

**"SECTION 2 (A): RESPONDENT FAILED TO CONDUCT NADRA VERISYS / BIOMETRIC VERIFICATION OF 16 ACCOUNTHOLDERS:**

The company has been regularly conducting verifications of all account holders, joint account holders, nominees, authorized persons, directors, and trustees. Before NADRA's Verisys facility became available to us in July 2021, we used Biometric and NADRA E-Sahulat services for verifications.

Verified copies retrieved through NADRA Verisys/ Bio-Metric/ E-Sahulat verifications of the clients mentioned in your letter are attached herewith in Annexure — A for your review and records:

S. No.	CDC Sub A/c.	Trading A/c.	Title of Account	Status	Verification of following Persons Submitted
1	33668	1940	Najma Amanullah	Client	Najma Amanullah
2	33809	6874	Saad Ahmed Seth	Client	Saad Ahmed Seth
3	34617	10031	Hina Aamir	Client	Hina Aamir
4	42461	10797	Mohammad Imran Amin	Client	Mohammad Imran Amin
5	42586	10806	Kishor Kumar	Client	Kishor Kumar
6	42784	10817	Qasim Chawdhary	Client	Qasim Chawdhary
7	33809	6874	Saad Ahmed Seth	Joint A/c.	Sadaf Saad
8	34617	10031	Hina Aamir	Joint A/c.	Muhammad Amir
9	22695	5334	Ammar Junaid	Nominee	Junaid Sattar*
10	33668	1940	Najma Amanullah	Nominee	Tamkeen Ryan
11	24691	2598	S. M. Sohail Anwer	Attorney	Syeda Azra Sohail
12	35994	10174	Muhammad naeem	Attorney	Muhammad Adeel*
13	23172	6077	Moosa Lawai Foundation	Trustee	Anis Ahmed
				Trustee	Allauddin
				Trustee	Muhammad Amin Sakhia
				Trustee	Munzareen Furgan
				Trustee	Hsumaiya Haseeb
14	38196	10427	Naseem Enterprises	Director	Ahsan Afzal
				Director	Hussain Ahmed fazal
				Director	Muhammad Abid Mehmood
15	38212	10429	Providus Capital	Director	Muhammad Junaid Iqbal
				Director	Muhammad Qasim Lakhani
16	40630	111L	Integrated International Investments Limited	Director	Theodora Maria Anthonia (She is a Foreign National therefore duly Notarized and Certified copy of Passport is attached)



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Please note that the company has complied with regulation 9(b), regulation 10(b), regulation 11, regulation 12(1), and Note (ii) of Annexure -I of AML/CFT Regulations. Therefore, we request that you consider the status of our company as compliant and refrain from imposing any penalty.

## SECTION 2 (B): RESPONDENT FAILED TO CONDUCT ONGOING MONITORING KYC/CDD) OF 2 CLIENTS

### CDC Sub Account number 8348 -Ms. Farida

Proper monitoring of the account was conducted by the compliance department of the company. During the due diligence, Income Tax Return of the client was obtained to compare net worth with the securities under custody. It was observed that the client's net custody of securities as at 30 June 2023 was PKR 12,520,105/-, whereas her net worth as mentioned in the Income Tax Return of Tax Year 2023 was PKR 14,777,027/-.

As the difference between above-mentioned figures was not significant therefore, the client was approached for an explanation about it. In response to our query the client clarified that:

- the value of investments in securities was mentioned in the Tax Return in code number 7013, at cost of acquisition as a legal practice of tax return filing;
- the cost of securities as at reporting date 30 June 2023 was of PKR 4,347,266/-;
- the market value of securities held as at 30 June 2023 was PKR 12,520,105/-;
- had the value of securities stated at market value in the Income Tax Return 2023, her net wealth would have been stated at PKR 22,949,866/-; and
- other personal assets are also stated at cost in the return and market values of these assets are way beyond costs of acquisition e.g. show room listed at cost of PKR 510,000/- worth over PKR 20 million.

The value of net custody of securities mentioned in your SCN (PKR 15.3 million) pertains to December 31, 2023, and is not comparable with the 2023 Income Tax Return.

The client's total income of PKR 144,000 in the return relates to taxable income from rental property, after admissible deductions from total rental income. She also earned PKR 846,473 as dividend income, listed under code 640001...

### CDC Sub Account number 2168 -Mrs. Rubina Makhdoom

The equity trading account of Mrs. Rubnia was actually opened with the company on 8 January 2001. In July 2023, her profile updated through Know Your Customer (KYC) for CKO. Proper monitoring of the account through and Enhanced Due Diligence (EDD) procedures performed by the compliance department of the company. During the course of due diligence, Income Tax Return of the clients was obtained for profiling. As the Return of TY2023 was not filed till date therefore, the client provided latest Tax Return of TY2022. The compliance team of the company noted that the net worth of the client is PKR 131,628,719/- as compared to securities holding of PKR 49 million hence, found the submitted return satisfactory.

It appears there was a misunderstanding during the Thematic Review, as the client's net worth was depicted as PKR 67.9 million, instead of actual net worth of PKR 131 million shown in her Income Tax Return for TY2022.

In TY2022, the client earned Remuneration of PKR 600,000/- and Net Rental Income of PKR 255,722/- as normal income but it doesn't qualify her to file tax return as a salaried person because under the





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*Income Tax Ordinance, "a person who earns more than 50% of total income from salary shall be eligible to file a tax return as a Salaried Person".*

*Whereas, in the same year the client earned Dividend Income of PKR 2,672,050/- and Capital Gain of PKR 14,050,000/- mentioned in the return at code numbers 64030055 and 64220060, respectively....*

*Based on the presented facts and documentary evidence, the company has not contravened regulation 9(b), regulation 10(b), regulation 11, regulation 12(1), Note (ii) of Annexure -1 of AML/CFT Regulations, regulation 19(1)(a), or regulation 19(1)(c) of AML/CFT Regulations. We request that you consider our company compliant and refrain from imposing penalties.*

*We hope the above-mentioned explanations suffice and request you to drop proceedings against our company."*

6. In order to provide the Respondent an opportunity of personal representation, hearing in the matter was fixed for July 19, 2024 which was attended by Mr. Muhammad Azfer (CEO) and Mr. Nadeem ul Haq (Director) at its Authorized Representatives (**the Representatives**). During the course of hearing, the Representatives were advised to explain the reasons for the alleged non-compliances, as narrated in the SCN. The Representatives reiterated the same stance as taken in response to the SCN. It was further submitted that some files were not provided to inspection team and may have been missed due to storage issues as the office had relocated three times in the past year. Furthermore, the Respondents explained that only two clients' verification was not provided to the inspection team however, in the remaining instances, the NADRA Verisys/ Biometrics was already done before the inspection period. In respect of the ongoing monitoring (KYC/CDD) for two clients namely Ms. Farida (CDC Sub Account: 8348) and Mrs. Rubina Makhdoom (CDC Sub Account: 2168), the Respondents provided a detailed analysis in its reply dated July 05, 2024.

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 Representatives. At this juncture, it is essential to address the following:

(i) **Whether the Respondent conducted timely NADRA Verisys/Biometric verification in compliance with the requirements of AML/CFT regulations?**

The Respondent during the hearing proceedings argued that Verisys of all the client accounts had been done at the time of inspection however, documentation could not be provided due to storage issues and renovations in the officer premises. Upon reviewing the documents submitted in response to the SCN, the following points were noted:

- In 4 out of 16 cases, NADRA Verisys/Biometrics was conducted well before the inspection as the date were mentioned in the copies provided.
- In 2 out of 16 cases, NADRA Verisys/Biometrics was conducted after the inspection period as the date mentioned on the copies provided were of post inspection.
- In 9 out of 16 cases, the NADRA Verisys/Biometrics documents were undated, which transpired that the NADRA Verisys/Biometrics was conducted after the inspection period.
- In 1 out of 16 cases, specifically for Muhammad Amin Sakhia (Trustee of a Foundation), NADRA Verisys/Biometrics was not provided.

The Respondent submitted documentary evidence for NADRA Verification/Biometrics in all but one instance, following the issuance of the SCN. The Respondent in 11 out of 16 instances provided copies of NADRA Verisys which were either un-dated or post-dated, from which it transpired that the compliance has been made subsequent to inspection and in 1 out of 16 cases NADRA Verisys/Biometrics was not provided. Nevertheless, non-compliance with Regulation 9(b) read with Note (ii) of Annexure-1 of AML/CFT Regulations have been established.



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(ii) **Whether the Respondent made timely compliance of ongoing monitoring (KYC/CDD) requirements of the AML/CFT regulations?**

With regard to the two clients identified as housewives, it has been observed that:

**1. Client No. 1 (CDC Sub Account No. 8348):**

The Respondent argued that it has sufficiently ensured that the client's financial information was up-to-date and relevant. By regularly reviewing the Income Tax Return, they identified potential discrepancies and asked for the requisite information from the client, upon which the client provided its response which justifies her investment:

- a) The client clarified that the securities were reported at their cost of acquisition (PKR 4,347,266) in the Income Tax Return for the period ended 2023, following standard legal practices. The market value of these securities as of June 30, 2023, was PKR 12,520,105. If the securities were valued at market price in the tax return, the client's net wealth would have been PKR 22,949,866 which justified her investment in the securities.
- b) The client's other personal assets, such as a showroom listed at a cost of PKR 510,000, have a current market value exceeding PKR 20 million, further substantiating her financial position.
- c) The client's total income of PKR 144,000 represents taxable income from rental property after allowable deductions. Additionally, the client earned PKR 846,473 in dividend income, recorded under code 640001 in the tax return. This additional income aligns with her investment activities and overall financial profile.

The value of securities depicted in the SCN i.e. Rs. 15.3 million pertains to December 31, 2023 and is therefore, not comparable with the 2023 Income Tax return. In view of the said, following has been observed:

- The Respondent's arguments are well-founded, demonstrating a comprehensive approach to AML/CFT compliance.
- The Respondent performed thorough due diligence and maintained up-to-date financial information.
- Enhanced monitoring measures were applied to ensure consistency of transactions with the client's profile.
- Detailed explanations provided by the client support the Respondent's compliance with regulatory requirements.
- The Respondent's actions indicate adherence to AML/CFT regulations, suggesting they cannot not be held accountable in this matter

**2. Client no. 2 (CDC Sub-Account No. 2168)**

The Respondent submitted that the equity trading account for the client was opened on January 8, 2001. In July 2023, her profile was updated through Know Your Customer (KYC) procedures. The Respondent obtained the latest available tax return (TY2022) for the client as TY2023 was not yet filed. Upon noting that the securities holdings (PKR 49 million) were substantial relative to the previously reported net worth (PKR 67.9 million), the Respondent took additional measures by performing Enhanced Due Diligence (EDD). They verified that the actual net worth reported in the TY2022 return was PKR 131,628,719, which aligned with her securities holdings. There was a misunderstanding during the Thematic Review regarding the client's net worth, which was depicted as PKR 67.9 million instead of the actual net worth



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of PKR 131,628,719 reported in her TY2022 return. This discrepancy was clarified through the latest tax return, which accurately reflected her financial position.

In TY2022, the client earned a total remuneration of PKR 600,000 and net rental income of PKR 255,722, which does not qualify her to file as a salaried person under the Income Tax Ordinance. However, she earned significant dividend income (PKR 2,672,050) and capital gains (PKR 14,050,000), which were accurately reported in her tax return and further substantiating her financial position. In view of the said, following has been observed:

- The Respondent demonstrated adherence to AML/CFT regulations through proper monitoring and due diligence.
- The client's profile was updated based on the latest available tax return.
- Enhanced Due Diligence was performed by the Respondent.
- Any misunderstandings regarding the client's net worth were clarified.
- Detailed review and verification processes confirm the Respondent's sound compliance with regulatory requirements.
- The Respondent cannot not be held accountable in this matter

8. In view of the foregoing arguments and the written and verbal submissions made by the Respondent and its Representatives, non-compliances/ contraventions of the Regulation 9(b) read with Note (ii) of Annexure- 1 of AML/CFT Regulations stands established against the Respondent, 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. 60,000 /- (Rupees Sixty Thousand only)** on the Respondent on account of established default.

9. 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.

10. 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.

11. 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:**

August 28, 2024  
Islamabad