

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Surmawala Securities (Private) Limited

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Dates of Hearing

November 25, 2021

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**Order-Redacted Version**

Order dated May 20, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Surmawala Securities (Private) Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated May 26, 2021.
2. Name of Respondent	Surmawala Securities Private Limited (the Respondent and, or Company)
3. Nature of Offence	Alleged contraventions of <u>regulations 4(a), 15(3), 20(b), 11(2), 6(3)(a) and 6(3)(c) of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations 2018 (the AML Regulations) Section 40A of the Securities and Exchange Commission of Pakistan Act 1997 (the Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the facts of the case the written and oral submission of the Respondent and material available on record in light of the applicable provisions and observe that with regard to the:</p> <p>i. deficiencies in its AML/CFT policy, the Respondent during the hearing admitted that the policy was not updated at the time of inspection. During the inspection, the Respondent had noted the observations and subsequently. updated its AML/CFT policy in light of the recommendations provided by the inspection team and NRA 2019 updates. However, since the policy was deficient during the review period in 2020 even after the promulgation of AML Regulations in June, 2018 and NRA updates in 2019 therefore, the Respondent was found non-compliant with regulation 4(a) of the AML Regulations. In this regard, the compliance officer of the Respondent also failed to ensure that the</p>

	<p>Respondent's AML/ CFT policy is update and in line with the latest development in ANL/ CFT regime therefore, the compliance Officer was also found non-compliant with regulation 18(c)(iii) of the AML Regulations.</p> <p>ii. record maintenance of screening performed for its clients against the list of proscribed individuals/ entities, the Respondent during the hearing provided that although they were performing of its clients however, the relevant record was not maintained at the time of inspection. During the inspection, it was noted that the Respondent updated their back-office server by inserting complete data proscribed persons and all related SRO's of the Commission at the time on July 22, 2020 subsequent to which they have been automated their screening process and, as provided during the hearings, are now maintain record of all screening of clients against list of proscribed persons, entities. However, the Respondent has failed to furnish record of any screening performed for its clients during the inspection and was therefore, found non-compliant with regulation 15(3) of the AML Regulations.</p> <p>iii. NADRA Verisys of its clients, the Respondent produced a letter dated April 06, 2020 wherein they have NADRA official. for provision of full-scale system which is still pending response. Since the Respondent had already taken up the matter with NADRA for provision of Verisys services and are now performing Verisys on limited scale basis therefore, it may not be held accountable in the matter. The Respondent had produced copies of Verisys for its clients on sample basis and ensured that they will soon complete the Verisys for all its clients.</p> <p>iv. communication of Respondent's AML/ CFT policy to their employees, the Respondent could not produce evidence at the time of inspection. During the inspection, the Respondent informed that They did only verbal discussions regarding the matter of AML/ CFT and that they did not have any record of discussions. The Respondent, in reply to the SCN, provided of Inter Office Memos dated October 08, 2020, October 27 2020 and March 04, 2021 wherein its AML/CFT policy has been shared with the employees subsequent to the observation raised by the inspection team. Further, the Respondent had also failed to produce evidence of training sessions held for its employees regarding AML/CFT matters during the inspection. Therefore, the Respondent was found non-compliant with regulation 20(b) of the AML Regulations.</p>
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	<p>v. written justification for its low-risk clients, the Respondent during the hearing provided that they were not maintaining justification for categorization of its clients as risk before the inspection. However, the Respondent ensured that they have now started recoding justification of all low-risk customers on their Standardized Account Opening Form (SAOF) and KYC Forms after the Observation was highlighted by the inspection team. Therefore, the Respondent was found non-compliant with regulation 11(2) of AML Regulations during the inspection.</p> <p>vi. KYC/CDD of sample clients, their joint account holders, directors and authorized persons. it was observed that the Respondent had failed to furnish evidences at the time of inspection. The Respondent provided such documentation in response to the SCN which shows that these evidences were arranged subsequent to the inspection held by JIT. The Respondent during the hearing also commented that the documentation was not available at the time of inspection. The Respondent was therefore, found non-compliant with regulation and 6(3)(c) of the AML Regulations. The Respondent during the hearing ensured that they are now maintaining complete documentation of KYC/CDD of its clients and related individuals which can be made available for ready reference.</p> <p>Therefore. in terms of powers conferred under section 40A of the Act, a penalty of Rs. 300,000/- (Rupees Three Hundred Thousand Only) is hereby imposed on the Respondent.</p>
5. Penalty Imposed	Rs. 300,000/-
6. Current Status of Order	Penalty not deposited and No Appeal has been filed by the respondent.