



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-1 Adjudication Division

File No. 1(180)SMD/ADJ/KHI/2019/ **719**

January 22, 2021

1. **Royal Securities (Private) Limited**  
Through its Chief Executive Officer,  
Suite # 426-427, 4<sup>th</sup> Floor,  
Pakistan Stock Exchange Building,  
Karachi Exchange Road,  
Karachi.

**SUBJECT:** Order in Respect of Show Cause Notice dated May 15, 2020 Bearing Number No. 1(180)SMD/ADJ/KHI/2019

Please find enclosed herewith a copy of order in the title matter for your record and necessary action.

Regards,

  
\_\_\_\_\_  
**Muhammad Faisal**  
Assistant Director

- Cc:**
1. **Managing Director,**  
Pakistan Stock Exchange Limited  
Stock Exchange Building, Stock Exchange Road,  
Karachi.
  2. **Chief Executive Officer,**  
Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block B, S.M.C.H.S.,  
Main Shahra-e-Faisal,  
Karachi
  3. **Chief Executive Officer,**  
National Clearing Company of Pakistan Limited,  
8th Floor, Stock Exchange Building,  
Stock Exchange Road,  
Karachi.



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

Before Commissioner (SMD)

In the matter of Show Cause Notice issued to Royal Securities (Private) Ltd.

Date of Hearing	January 05, 2021
Present at the Hearing	i. Mr. Rizwan Riaz (Managing Director/ Shareholder)
Representing Royal Securities (Pvt.) Limited	ii. Mr. Muhammad Hammad (Compliance Officer)

### ORDER

This Order shall dispose of the proceedings initiated against Royal Securities (Private) Ltd. (the "Company" or "the Respondent") through Show Cause Notice No.1(180) SMD/ADJ-1/KH1/2019-398 dated May 15, 2020 ("SCN") issued under section 150 of the Securities Act, 2015 ("the Securities Act") and Section 40A of the Securities and Exchange Commission of Pakistan (the "Commission") Act, 1997 ("the Act").

Brief facts of the case are as follows:

1. The Respondent is a Trading Rights Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited ("PSX") and licensed as a Securities Broker by the Commission. The Joint Inspection Team of PSX, Central Depository Company and National Clearing Company of Pakistan Limited (hereinafter referred to as "JIT") conducted an inspection into the affairs of the Respondent to ascertain its compliance with the Securities Brokers (Licensing & Operations) Regulations, 2016 ("the Securities Brokers Regulations").
2. The inspection report revealed that the Respondent was *prima facie* involved in the deposit-taking activity and borrowing of funds in contravention with the provisions of the Regulations. Summary of facts from which the alleged violations arises is provided as hereunder:
  - a. The Respondent was maintaining two accounts in its back-office system namely "Royal Traders Account" ("RTA") & "A.R Traders" ("ART") in its trial balance. These accounts only contained funds deposits and funds withdrawal transactions. However, no UINs were opened against these accounts. As informed by the Respondent, M/s. Royal Traders & M/s. A.R traders are sole proprietorship concerns of one of its directors who had deposited and withdrawn funds through these firms for NCCPL clearing purpose against his trading







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- transactions. The Respondent during the period January 29, 2018, till May 28, 2018, also obtained a loan of Rs. 104 million from ART.
- b. The Respondent received an amount of Rs. 40 million from Mr. Muhammad Hasan Mangi ("MHM") vide his cheque dated November 10, 2016. The amount was credited into the bank account of the Respondent and was shown in the ledger of the "Royal Traders Loan" account. The Respondent did not open any trading account of MHM and had utilized Rs. 40 million of an individual and routed these funds through RTA.
- c. A Complaint was also received against the Respondent by an individual namely Mr. Shahzaib Mughal ("the **Complainant**") dated August 09, 2019. The Complainant provided that he had invested Rs. 3 million with the Respondent and the said amount was given to Mr. Atif Shabbir ("hereinafter referred as "Sponsor/Director - I") vide a receipt dated, a major shareholder of the Respondent at that point in time. A receipt dated September 30, 2018 of Rs. 3 million was issued on the letterhead of the Respondent and with an official stamp. The Complainant stated that subsequent to the referred investment, he approached shareholders/ directors of the Respondent to acquire details of purchased shares. However, the Respondent failed to provide the requisite details upon which the complainant demanded a refund and return of his invested amount. It was also observed that the Respondent did not open a trading account for the complainant. As per the Complainant, a cheque dated June 26, 2019, amounting to Rs. 3 million was issued by Sponsor/Director - I to the Complainant to settle the claim however, the cheque was dishonored on June 28, 2019. The Complainant then lodged FIR No. 121/2019 in Police Station Qasimabad against the directors/ shareholder of the Respondent.

The aforementioned instances reveal that the Respondent in connivance with its director/shareholder was involved in illegal deposit-taking activity and borrowing of funds in contravention with Regulation 16 (2) (Ka) of the Regulations, provided as under:

*Securities Brokers (Licensing & Operations Regulations, 2016:*

## **16. Duties and obligations of a securities broker.-**

(2) A securities broker shall not:

(ka) accept any money or deposit or borrowing by whatsoever name called and in whatsoever manner from any person including an individual or any segment of public or directors and sponsors of a securities broker except in the following manner: -

- (i) redeemable capital issued by a securities broker or under the Companies Act
- (ii) finance obtained by a securities broker from a financial institution;
- (iii) advance, application or subscription money for shares of a securities broker
- (iv) subordinated loans from directors, sponsors or substantial shareholders of a securities broker subject to the conditions as may be imposed by the Commission from time to time



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3. JIT provided a copy of a loan agreement dated November 10, 2016 signed between MHM and Mr. Rizwan Riaz (Director/ Shareholder of the Respondent), wherein MHM provided a loan of Rs. 40 million to the Respondent. However, instead of recording the liability of MHM in the books of accounts, the same was recorded in the ledger of RTA Loan Account. The same amount was reflected as other liabilities in half-yearly accounts as of December 31, 2016 and NCB as on December 31, 2016.

4. On March 15, 2017, the Respondent issued a cheque to RTA for Rs. 40 million and settled the other liabilities whereas, the same amount was received as a loan from MHM. The Respondent neither created the loan account of MHM neither recorded the advance issue to the RTA for the said amount. Therefore, the total assets & liabilities were understated by Rs. 40 million in the financial statements of the Respondent after December 2016 till June 2019 as observed during the inspection.

5. On July 15, 2019, the Respondent received Rs. 40 million from RTA which was recorded in the general ledger account of MHM as a loan and the final settlement of MHM's loan was made on July 16, 2019 by issuing a cheque of Rs. 40 million from the bank account of the Respondent.

6. The books of accounts including NCB and financial statements of the Respondent from December 31, 2016 to June 30, 2019 prima facie did not reflect the true and fair view. Therefore, the referred instances are prima facie considered as violation of Section 79 (1) read with Section 84(b) of the Securities Act, 2015 ("the Act"), Regulation 33(1), 33(1)(a)(b) & 33(5)(a) of the Securities Brokers (Licensing & Operations) Regulations, 2016. The relevant clauses are provided as under:

***Securities Act, 2015:***

*79 (1) - Every regulated person shall keep such accounting and other records as prescribed which shall sufficiently explain the transactions and financial position of all business relating to his license and enable a true and fair financial statement to be prepared from time to time and shall keep those records in such manner and form as to enable them to be conveniently and properly audited.*

*84 (b) - A regulated person other than a representative, shall for each subsequent financial year, prepare financial statements, a balance sheet and a cash flow statement made up to the last day of the financial year which shall show a true and fair view, contain the information prescribed, and shall lodge those documents with the Commission not later than four months after the end of the financial year, together with an auditor's report which shall express opinions on such matters as may also be prescribed.*

***Securities Brokers (Licensing & Operations) Regulations, 2016:***

*33. Maintenance of books of accounts and other records.-*







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(1) A securities broker shall keep accounting and other records which shall sufficiently explain its business and transactions entered into (whether effected on its own behalf or on behalf of customers) and the financial position of the securities broker, and shall be such as to:

- (a) Disclose with accuracy the financial position at that time;
- (b) Enable the securities broker to prepare financial statements at any time and which comply with the requirements of law; and

(5) A securities broker shall prepare and maintain books of accounts and other documents in a manner that will disclose a true, accurate and up-to-date position of business, including but not limited to:-  
Record of all assets and liabilities of the securities broker including any commitments or contingent liabilities;

7. RTA and MHM are considered as customers of the Respondent based on the reason that the Respondent was receiving/ extending financial services to these accounts. However, no UINs were maintained against the said account. Further, SECP (AML and CFT) Regulations, 2018 ("AML Regulations") defines customer as:

"Customer" means any natural person, legal person or legal arrangement to whom financial services has been extended by a regulated person"

8. The Respondent failed to conduct appropriate customer due diligence ("CDD") relating to amounts received from MHM & RTA based on the facts provided in para 4, 5 & 6 of the Show Cause Notice. The Respondent prima facie failed to conduct CDD in violation of Regulation 6(2) read with 6(3)(a), (b), (c), 6(5) and 6(10) of the AML Regulations provided as under:

"6(2) Regulated person shall apply COD measures when establishing business relationship with a customer and when there is doubt about the veracity or adequacy of previously obtained customer identification data.

Regulation 6 (3) - Customer due diligence (COD) in broader term include-

(a) Identifying the customer or beneficial owner and verifying the customer's/beneficial owner's identity on the basis of documents, data or information obtained from customer and/or from reliable and independent sources;

(b) understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship; and

(c) monitoring of accounts/transactions on ongoing basis to ensure that the transactions being conducted are consistent with the regulated person knowledge of the customer, the customer's business and risk profile, including, the source of funds and, updating records and data/ information to take prompt action when there is material departure from usual and expected activity through regular matching with information already available with regulated person.





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*Regulation 6(5) - Regulated person should verifying the identity of the customer and beneficial owner before or during the course of establishing a business relationship or may complete verification after the establishment of the business relationship...*

*Regulation 6(8) - Each customer shall be categorized as high or low risk, depending upon the outcome of the COD process.*

*Regulation 6(10)- Regulated person are required to apply COD requirement to its existing customers on the basis of materiality and risk and should conduct due diligence on existing relations at appropriate times, considering whether and when COO measures have previously been undertaken and the adequacy of data obtained;"*

9. In view of the findings of the Review Report, the Commission took cognizance of the matter by issuing SCN dated May 15, 2020 to the Respondent for, *prima facie*, acting in contravention of provisions of the Securities Brokers Regulations and AML Regulations. The Respondent was directed to show cause in writing within fourteen (14) days from the date of the SCN as to why penalties may not be imposed upon it under section 150 of the Securities Act, 2015 and 40A of the Act for contravening the Securities Brokers Regulations and AML Regulations.

10. A written reply dated May 17, 2020 to the aforesaid SCN was received from the Respondent, relevant extract of which is provided as under:

1. *At the outset, we strenuously deny the allegations contained in the Show Cause Notice that, any deviation or contravention of the relevant provisions of the law, including the Securities Act, 2015 (the "Securities Act"), the Rule Book of the Pakistan Stock Exchange (the "PSX Rule Book"), the Securities Brokers (Licensing and Operations) Regulations, 2016 (the "Brokers Regulations"), or any other provision of the law, has been committed by us.*
2. (3). (a). *It is submitted that Royal Securities Pvt Limited maintained two accounts in its back office system namely Royal Traders Account ("RTA") and A.R Traders ("ART") in its trial balance. In fact, the RTA and ART trial head's account had nothing to do with his trading account. There were back-office system Level 3 has an account headers named Royal Traders Account ("RTA") and A.R Traders ("ART").*  
*In fact, these name was written unanimously by it as a surname of his company instead of the name of debtor and creditor account headers of party name (Mr. Rizwan) to maintain the accounts. Because it back-office system Level 3 has an account, it has nothing to do with the trading account. Has never been traded as sole Proprietor It has only been used as of debtor and creditor account headers, not used as Trading Account*
3. (3). (b). *Moreover, after the Brokers Regulations came into force, our activities have been in compliance and no instance of transgression can be found. The Show Cause Notice makes a specific mention of Regulation 16(2) (k) which prohibits a securities broker to "accept any*







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*money from a customer on a promise of predetermined or guaranteed return" and alleges that we have engaged in "deposit raising". We would strenuously deny any such allegation on the grounds that no short or long term loans have been taken after the issuance SRO.*

*It is submitted that according to Circular No SMD/PRPD/Circular/888/2017/ No 20 of year 2017, issues by SECP date on 30 August 2017 is appended herewith as Annex-A Members cannot take a loan from any third party or any agent person after the issuance that but we have this whole record in 2016 which is before this Circular No. 20 on year 2017. . Our Point of View is that, we are legal according to this record as it started before such the provisions of Circular No: SMD/PRPD/Circular/888/2017/ No 20 of year 2017, and our inspection report show that these transaction are in the year of 2016.*

*Furthermore, following the close of the financial year ending 30 June 2017, we have not "accepted" any monies from any "customer" with a promise of guaranteed return. Indeed Regulation 16(2) (k) of the Brokers Regulation does not prohibit the retention of money that may have been taken prior to its coming into force. Therefore, no question of any violation of Regulation 16(2) (k) on our part arises.*

4. (3). (c). *It is a matter of great satisfaction for you that Mr. Muhammad Hassan Mangi which is a personal friend of our director Mr. Rizwan, he also had it as a loan for free of cost and unconditional for some time. He gives amount to Mr. Rizwan as personal Loan amount due to his personal status. Mr. Muhammad Hassan Mangi did not know the legal circumstances and due to some factor condition or due to his unconscious information, so he took to this amount transfer to Royal Securities Pvt Limited via cheque because of unconsciously considering the same company. Because of Mr. Muhammad Hassan Mangi was personally a personal friend of Mr. Rizwan, he was not worthy Client of Royal Securities Pvt Limited and no account was opened for the purpose of trading.*
5. 3) (d). *It is a matter of great satisfaction for you that Mr. Shahzaib has nothing to do with Royal Securities Pvt Limited directly or indirectly, nor does he have any trading account, nor has he had any business relationship with RSPL. As far as Mr. Atif Shabbir is concerned, he was only a shareholder of our company. He has nothing to do with the operational or management level of our office. He was only our shareholder and he had personal relationship with Mr. Shahzaib. The resentment or quarrel over which he have lodged a police complaint against him or have a personal transaction has nothing to do with us. According to the records of RSPL, a person named Mr. Shahzaib Mughal has never received any payment nor has any kind of payment been made. If someone complaint about a fake level, it has nothing to do with our company. Personally, Mr. Atif has received a payment from Mr. Shahzaib Mughal that has nothing to do with our company.*



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6. (3)(e). This is with reference to show cause notice dated May 15, 2020, in which you highlighted noncompliance of Regulation 16 (2). At the outset, it is submitted that the Company is a law abiding corporate citizen and is managed in complete compliance with the requirements of the Companies Ordinance, 1984, the Securities and Exchange Ordinance, 1969, the rules and regulations framed thereunder and the directives of the Commissions issued from time to time. The directors and CEO are professionals of high repute and they are fully cognizant of their obligations and fiduciary duties towards the Company.
7. (4), (5), (6). (a). It is submitted at the outset that the Mr. Muhammad Hassan Mangi which is a personal friend of our director Mr. Rizwan, he also had it as a loan for free of cost and unconditional for some time. He gives amount to Mr. Rizwan as personal Loan amount due to his personal status the same was on RTA account of a short term Loan sharing arrangement that was extended to Director Loan in terms where of Mr. Rizwan.
8. (4),(5),(6).(b).In fact, Mr. Muhammad Hassan Mangi Provides a convertible loan instead of loan cash , he will provide a loan with a maturity date and a special twist, with the right to convert the loan into an equity stake in the company at some point in the future, through follow the legal Process. But later, due to some personal issues, but later, due to some personal issues, he revoke the investment and received his Payment.
9. (4),(5),(6).(c) As regards the account of Mr. Muhammad Hassan Mangi, we would like to reiterate that he is not a customer of our brokerage house and does not have a trading account with us. It is to be noted that his name does not find a mention among the trading accounts reported by the National Clearing Company of Pakistan to be allegedly active. Hence, because he is not a customer, any dealings we may have with his do not attract the provisions of Regulation 16(2) (k) of the Brokers Regulations.
10. (3), (4), (5), (6). (d). Moreover, after the Brokers Regulations came into force, our activities have been in compliance and no instance of transgression can be found. The Show Cause Notice makes a specific mention of Regulation 16(2) (k) which prohibits a securities broker to "accept any money from a customer on a promise of predetermined or guaranteed return" and alleges that we have engaged in "deposit raising". We would strenuously deny any such allegation on the grounds that we have not "accepted" any monies from any "customer" with a promise of guaranteed return. Indeed Regulation 16(2) (k) of the Brokers Regulation does not prohibit the retention of money that may have been taken prior to its coming into force. Therefore, no question of any violation of Regulation 16(2) (k) on our part arises.

As regards the Matter of Payment of 40 Million, we would like to reiterate that All amounts outstanding towards Mr. Muhammad Hassan Mangi and account headers named Royal Traders Account ("RTA") Loan and A.R Traders ("ART") .Therefore, as demonstrated in the







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*foregoing sub-paragraphs, any pre-existing short and long term loans from any way have been completely paid off and amount and account has been clear and creditor and debtor accounts of these lenders were closed and clear.*

11. (7).(a) *No contravention of Sections 79(1) and 84(b) of the securities Act, 2015 can be imputed to us and no case of breach would be made out because we have not undertaken any activity, which deviates from the permissible 'regulated securities activities'. All our actions have been in furtherance of our business of brokerage and within the sphere of our regulated securities activities.*
12. (8), (9) *Moreover, after the Brokers Regulations came into force, our activities have been in compliance and no instance of transgression can be found. The Show Cause Notice makes a specific mention of Regulation 6(2) read with 6(a), (b), (c) 6(5) 6(8) and 6(10) of the AML regulations. We contend that this allegation has no basis in fact and is wholly without merit. This is because the scope of our activities is limited squarely to our business as a broker. We have not and do not engage, either directly or indirectly, in any business other than that of a Broker. All the matters of the company and all transactions undertaken are strictly in furtherance of our business as a Broker and does not have nexus with any other related business. Therefore, we deny that any violation of AML regulations has been committed by us.*
13. *Notwithstanding the above, and without conceding any violation on our part, it is important to highlight that we have nonetheless taken the necessary steps to ensure that we comply with the requirements introduced under the Brokers Regulations in that regard.*

11. In order to afford the Respondent an opportunity of making a personal representation, a hearing in the matter was fixed for January 05, 2021. Mr. Rizwan Riaz (Managing Director/ Shareholder) and Mr. Muhammad Hammad (Compliance Officer) an Authorized Representatives, attended the hearing on behalf of the Respondent. During the hearing proceedings, the Authorized Representatives were afforded an opportunity to explain the reasons for the alleged violations as mentioned in the SCN.

12. I have examined the submissions made in writing and during the hearing as well as issues highlighted in the SCN and requirements of the AML Regulations. The observation of the undersigned and findings against each submission made by the Respondents are summarized as under:

- i. With regard to the allegation of illegal deposit taking and borrowing of funds in contravention of provisions of the Securities Brokers Regulations, the Respondent during the hearing submitted that RTA and ART are personal business accounts of Mr. Rizwan (Director/ Shareholder). The Respondent during the hearing also admitted that funds were routed through these accounts for NCCPL clearing purposes. The Respondent also submitted that any







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shortfall in the house accounts was accommodated through RTA accounts. The Respondent also stated that these accounts were mistakenly mentioned in their back-office system as RTA & ART (names of sole proprietary concerns) instead of Mr. Rizwan (Director/ Shareholder). The Respondent during the hearing submitted that these funds were not taken as loans and were returned free of cost. In light of the submissions made by the Respondent, it is established the money was accepted in contravention of Regulation 16(2) (ka) of the Securities Brokers Regulations which were promulgated in June, 2016 and clearly prohibits acceptance of any money or deposit or borrowing by whatsoever name from any person including an individual or any segment of public or directors or sponsors of a securities brokers except in the manner prescribed in the Regulations. The arguments put forth by the Respondent in its reply and during the hearing are not found satisfactory.

- ii. With regard to the amount received from MHM, it was submitted during the hearing that no UIN was created against MHM as MHM was not a client of Respondent and MHM paid that amount to Mr. Rizwan (Director/ Shareholder) in 2016 for acquiring shareholding in the Respondent. The Respondent admitted that the amount was taken as loan with an intent to convert it into equity stake in the Respondent. The said money was later returned to MHM on account of internal conflict between shareholders. The arguments put forth by the Respondent in response to the borrowing of funds from MHM to convert it into equity, does not hold merit. The documentary evidence on record indicates that the amount was received by the Respondent as a loan from MHM vide agreement dated November 10, 2016 and was settled in July, 2019 by issuing a cheque of Rs. 40 million to the MHM from the bank account of the Respondent.
- iii. With regard to the complaint, the Respondent denied any association with Mr. Shahzaib as a client or otherwise. No UIN was opened against the individual. The Respondent submitted that he was a personal friend of Mr. Atif Shabbir (ex-shareholder of the company) and had no relationship with the business. The inspection team reported that the complainant had provided copy of receipt dated September 30, 2018 on the letterhead of the Respondent confirming his investment of Rs. 3 million for investment/ purchase of shares through the Respondent and the said receipt was signed by Mr. Atif Shabbir as director/shareholder of the Respondent. The Respondent could not provide satisfactory response to the allegation raised in the SCN.

The written and verbal submissions of the Respondent could not satisfy the merits of acceptance of money as permitted under the regulatory framework. Further, it was observed that the Respondent had not opened any UIN accounts against ART, RTA, MHM and Mr. Shahzaib Mughal however, the instances on record indicates acceptance of money from such individuals without having any customer relationship. In view of the aforesaid, it has been







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observed that the Respondent through its shareholders/ directors was involved in deposit taking activity in contravention of the requirements of Regulation 16(2)(ka) of the Regulations.

- iv. With regard to the allegations in respect of maintenance of books of accounts and misstatement of assets and liabilities, the Respondent during the hearing submitted that the amounts received from Mr. Rizwan (Director/ Shareholder) was unintentionally recorded in the ledger accounts of RTA and ART due to negligence of its accounts department. The inspection revealed that a loan agreement was signed between MHM and Sponsor/Director- II on November 10, 2016, whereby MHM provided a loan of Rs. 40 million to the Respondent, however, the same was recorded in the ledger of RTA account. The amount was reflected as other liabilities in half yearly accounts on December 31, 2016 and NCB as on December 31, 2016. The Respondent on March 15, 2017 paid 40 million to RTA through a cheque and settled its liabilities. The Respondent books of accounts did not reflect loan of MHM. The final settlement of MHM's loan was made on July 16, 2019 by the Respondent by crediting RTA account. Therefore, the Respondent's books of accounts/ financial statements were misstated after December 2016 till June, 2019. The Respondent also admitted that it was a misunderstanding on its part. The admission of the Respondent and material available on record indicates that the Respondent had failed to appropriately maintain its books with regard to the funds accepted from individuals.

In view of the aforesaid, the Respondent has contravened the provision of 79(1) and 86(b) of the Securities Act which requires a regulated person to keep such accounting and other records which shall present a true and fair picture of the financial position of the company. Further, the Respondent has also contravened the provisions of Regulation 33(1) and 33(5) of the Securities Brokers Regulations which requires that a securities broker shall keep accounting and other records which shall sufficiently explain its business and transactions entered into (whether effected on its own behalf or on behalf of customers) and the financial position of the securities broker should disclose accuracy at that time in compliance with the law. The Securities broker is also required to maintain books of accounts and other documents to disclose a true, accurate and up to date positions of the business including but not limited to record of all assets and liabilities of the securities broker including any commitments or contingent liabilities.

- v. With regard to the contravention of AML Regulations, the Respondent submitted that no UIN were opened against the amounts received from MHM, RTA, ART and Mr. Shahzaib. However, the record available indicates that Respondent extended its services for layering and routing of funds from individuals to RTA and ART without any acceptable justification. Further, MHM and Mr. Shahzaib provided the funds in the name of the Respondent and same were accepted by it and routed in other accounts, therefore, the existence of relationship between the two parties cannot be denied. The applicable regulatory framework do not permit or envisage indulging of regulated person an activity not within the scope of regulated activity.







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The spirit of AML regulatory framework requires from regulated person to take a risk-based approach and to put measures in place to identify their clients and monitor how they use their services to stop criminals using professional services to launder money.

Furthermore, it to be noted that in terms of AML Regulations, MHM, RTA, ART and Mr. Shahzaib were not "customers" of Respondent and the transaction between them cannot be termed within the scope of "business relations" as per Section 2(ia) and 2(f) of AML Regulation reproduced hereunder:

*"customer" means any natural person, legal person or legal arrangement to whom financial services has been extended by a regulated person;*

*"business relations" means provision of any financial service by the regulated person under the administered legislation;*

Therefore, in light of above the identified transactions are not within the scope of AML Regulation. Therefore, violation of Regulation 6(2), 6(3)(a), (b), (c), 6(5), 6(8) and 6(10) of the AML Regulations cannot be attributed towards the Respondent.

13. In view of the foregoing and admission made by the Representative, contraventions of the provisions of Securities Act, the Securities Brokers Regulations have been established against the Respondent. Therefore, in terms of powers conferred under section 150(2) of the Securities Act, a penalty of **Rs. 10,000,000/- (Rupees Ten Million Only)** is hereby imposed on the Respondent on contravention of Section 79(1) and 84(b) of the Securities Act and Regulation 16(2)(ka) and Regulation 33(1) and 33(5) of Securities Brokers Regulations. Furthermore, I, in terms of powers conferred under section 150(1) hereby also suspend the license of the Respondent in relation to all regulated securities activities under is license as a Securities Brokers with immediate effect.

14. Furthermore, the Respondent is hereby directed to inform all its existing customers regarding suspension of its license, settle all dues of the customers within fifteen days and remain responsible for clearing and settlement of all his obligations till date.

15. Furthermore, relevant department of the Commission is advised to undertake comprehensive investigation into the affairs of Respondent in respect of all activities being performed by the Respondent, to ascertain its compliance with the all applicable regulatory framework including but not limited to provisions of AML Regulations, Securities Act and rules & regulations made thereunder. The relevant department of the Commission is further advised to conclude the said investigation within 90 days of the date of this order and thereafter decision of suspension of license maybe be accordingly be revisited by the Commission.







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16. The Respondent is directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited within 30 days of date this Order and furnish the original deposit challan to this Office.

17. This Order is issued without prejudice to any other action that the Commission may initiate against the Company in accordance with the law on the matter subsequently investigated or otherwise brought to the knowledge of the Commission.



(Shauzab Ali)  
Commissioner (SMD)

Announced on January 22, 2021  
Islamabad