



PAKISTAN STOCK BROKERS' ASSOCIATION

(A company setup under section 42 of the Companies Act 2017)

Regd. Office: Mezzanine Floor, Trading Hall, Stock Exchange Building, Stock Exchange Road,
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August 13, 2020

MS. SADIA KHAN

Commissioner – Anti Money Laundering Department
Securities and Exchange Commission of Pakistan
Islamabad.

Subject: **VERIFICATION OF IDENTITY DOCUMENTS
THROUGH NADRA VERISYS**

Ma'am,

This is with reference to the subject captioned above we are pleased to submit for your kind notice and necessary steps to be taken in this regard.

The Securities and Exchange Commission of Pakistan (SECP) (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the Regulations) requires the Regulated Entities that the photocopies of identity documents (CNIC) shall be validated through NADRA Verisys. Pertinently, you may please acknowledge that National Clearing Company (NCCPL) being a KYC Organization is performing the NADRA Verisys for all of the clients/UINs, from day one and it has all the data maintained in order to meet the requirement of the purpose Regulations.

We, therefore, submit that the NCCPL may please be directed to share such reports with the respective brokers, to provide ease of doing business to the brokers and to avoid duplication of work. It will not only be providing ease to the members but will also be saving cost of approximately Rs. 12.5mn of the Stock Market investors' which is expected to be incurred. It is important to mention here that the same cost is already incurred by the investors when this exercise was practiced by NCCPL and now the AML Regulations again requires the Regulated Entities to comply with the requirement, and ultimately the entire cost will have to be borne by the investors.

To strengthen the discussion we would like to highlight some of the requirements of the Rules/Regulations for ease of your reference:

Regulation 12 of the AML Regulations:

QUOTE:

(1) Regulated person may rely on a third party to conduct CDD on its behalf provided that the regulated person shall-
(a) obtain immediately, the necessary information relating to identification of the customer, identification of the beneficial owner and/or the nature of business of the customer;

UNQUOTE:

The Regulated Entity may rely on a third party to conduct the Due Diligence on its behalf which is regulated, supervised, and monitored for having measures in place for compliance with CDD and record-keeping requirements, provided that the record of such document is obtained. Hence, we may conclude that the brokers may rely on NCCPL having all the above qualities and may ask for the information.

Agreement of NADRA with NCCPL:

QUOTE:

2. The Customer shall not in any circumstances:
c. Disclose or share the Accessed Data to/with any person or entity other than the Customer or its Dedicated Personnel.

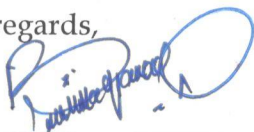
UNQUOTE:

The Customer (NCCPL), according to the agreement as reproduced above, may share the information with the respective broker(s) being dedicated personnel to the client. Hence, it may be expected that there would be no legal obligation for NCCPL to share the data. It is imperative to highlight that the CGT Certificates is being provided by NCCPL to the respective broker(s) so we believe that there would be no issue with regard to the modus operandi.

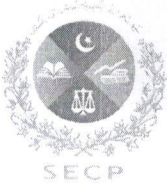
It is pertinent to mention here that the said relaxation is being asked for one-time, for the existing clients and principal accounts only. As far as new customers and the beneficial owners, nominees, authorized representatives (in case of corporate clients) of new and existing customers, the members will be doing it to adhere to the compliance of the provision of the law.

We assure to extend our full support to the Commission with regard to the compliance of AML Regulations and we would be pleased if an opportunity to meet with your good self is granted to discuss some practical difficulties being faced by our members so that in future the compliances are made meticulously.

Best regards,



BILAL FAROOQ ZARDI
General Secretary
Cell# 0300 - 266 2516



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Anti-Money Laundering Department

No: SECP / AML - 1069/2020

September 03, 2020

Mr. Bilal Farooq Zaidi
General Secretary,
Pakistan Stock Brokers' Association
Mezzanine Floor, Trading Hall,
Stock Exchange Building,
Karachi

Subject: Verification of Identity Documents Through NADRA Verisys

Dear Mr. Bilal,

Reference to your letter dated August 13, 2020 wherein the Pakistan Stock Brokers' Association has shared the AML/CFT implementation issues in relation to NADRA verisys of identity documents. In this regard, the Securities and Exchange Commission of Pakistan ("SECP") has reviewed the submission and our response is hereunder:

2. The matter was taken up with NCCPL however, the request of the Association cannot be acceded to, considering the impediments contained in the legal document between NCCPL and NADRA. Although, SECP is in process of contemplating the matter to reach at a mutually agreed and Plausible solution.
3. Furthermore, the SECP has requested NADRA for a short-time window facility for financial institutions to undertake verisys without providing Date of Issue in case of existing customers, where the CNIC has expired and the renewed CNIC is not available with the financial institution. A latest communication in this regard was made on August 31, 2020 (Copy attached), If NADRA proceeds on matter as requested, the matter shall stand resolved for legacy accounts of FI's.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Shahzad Afzal Khan', is written over a horizontal line.

Shahzad Afzal Khan
Director/HOD
(Anti-Money Laundering Department)



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Anti-Money Laundering Department

No: SECP / AML - 10⁶⁴/2020

August 31, 2020

Mr. Ali Jawed
Director General, Public Service Department
National Database & Registration Authority
Regional Head Office Building G-10/4,
Islamabad

Subject: NADRA Verisys/Biometric Verification Facility for SECP regulated sectors

Dear Mr. Ali Jawed

Reference to our letters No.SC/NBFC-154/MF/2020-57, No. SECP/AML-1049/2020 and No. SECP/AML-1063/2020 dated February 20, 2020, March 29, 2020 and July 21, 2020 respectively and telephonic conversation of Commissioner SECP Mr. Farrukh Sabzwari with Chairman National Database & Registration Authority (NADRA) on March 18, 2020 on the captioned subject.

2. The SECP appreciates NADRA's response, supporting SECP and its regulated entities in effective compliance with the FATF requirements however, lately SECP is being approached by regulated entities on their applications pending approval from NADRA. In this context, NADRA is requested to expediate the pending applications considering the strict timeline constraints by FATF.

3. Further, NADRA is requested to update on the short-time window facility for the financial institutions to undertake verisys without providing "Date of issue" in case of expired CNICs (as verification of the CNIC is not possible if the CNIC has expired and renewed CNIC is not available with the Financial institutions) w.r.t legacy accounts.

We look forward to your favorable consideration of the matters highlighted above and your continued support to SECP for strengthening its AML/CFT Regime.

Yours truly,

Shahzad Afzal Khan
Director/HOD
(Anti-Money Laundering Department)