

Sebon slaps record fine against two stock brokers

The Securities Board of Nepal (Sebon) has slapped a record fine on two stock brokerage firms for their failure to maintain know-your-customer (KYC) compliance.

This is the first action taken by the capital market regulator based on anti-money laundering law.

Sebon, on Friday, decided to impose a fine of Rs 1 million each on Agrawal Securities Pvt Ltd and Shree Hari Securities Pvt Ltd for violating the anti-money laundering rules along with an additional Rs 50,000 each for breaching the regulation for brokerage firms.

The penalty to these brokerage firms is linked to two separate cases of fake trading of securities of Chilime Hydropower Company Ltd and National Hydropower Company Ltd.

Stating that the brokerage firms violated the provisions of the Money Laundering Prevention Act, 2008 and Securities Businessperson (Stock Broker, Dealer & Market Maker) Regulation that require them to maintain the proper record of their clients, known as know-your-customer (KYC), Sebon slapped a hefty fine on them.

Apart from fine to the brokerage firms, the Sebon has also asked the executive chiefs of both the firms to pay a fine of Rs 50,000 each for the violation of anti-money laundering law and securities act.

The Sebon also decided to write a reprimand to another brokerage firm, Siprabi Securities Pvt Ltd, for violating the rules on proper identification of its clients.

The capital market regulator showed leniency to this brokerage firm after its chief executive cooperated with it to reveal the case at the beginning, according to officials of the Sebon.

Sebon Chairman Rewat Bahadur Karki told Republica that the capital market regulator decided to penalize the brokerage firms and their executives as per the recommendation of an investigation team formed by the board.

“The action against the brokerage firms for the violations of securities-related regulation and anti-money laundering act will discourage and deter money laundering and other offences,” said Karki.

Karki had put investigation into the case of trading of fake securities of Chilime Hydropower Company Ltd and National Hydropower Company Ltd in top priority

While the executive chief of Sri Hari Securities could not be reached for response, the chief executive of Agrawal Securities, Bhuwaneshwor Yadav, said that he was not aware of the action taken against his firm. “I have no knowledge of decision taken by Sebon. We will take about the issue later,” Yadav told Republica.

In mid-July 2017, the Sebon had filed a separate case against those involved in the trading of fake securities of Chilime Hydropower, National Hydropower Company Ltd and Sanima Mai Hydropower at the Kathmandu District Court.

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