

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, , 2011

NOTIFICATION

S.R.O. /2011.- The following draft of Sound and Prudent Management Regulations proposed to be made by the Securities and Exchange Commission of Pakistan in exercise of the powers conferred by clause (f) of sub-section (1) of section 7, section 12 and sub-section (3) of section 167 of the Insurance Ordinance, 2000 (XXXIX of 2000) read with section 40 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), is hereby published for eliciting public opinion thereon and notice is hereby given that comments, if any, received within thirty days of the date of this notification will be taken into consideration before finalization of the draft which will be placed before the Policy Board for approval.

1. Short title and commencement.- (1) These Regulations shall be called the Sound and Prudent Management Regulations, 2011.

(2) They shall come into force at once.

2. APPLICATION AND SCOPE

(1) These Regulations shall be applicable to the following persons:

- (i) chief executive, by whatever name called and principal officer of the insurer;
- (ii) directors of the insurer;
- (iii) Key Officers of the insurer;
- (iv) promoters/major shareholder of a new insurer; and
- (v) incoming major shareholders of the existing insurer.

Explanation: "Key Officer" includes, the persons discharging the following functional responsibilities, -

- a. chief operating officer, by whatever name called;
- b. chief financial officer, by whatever name called;
- c. head of actuarial department;
- d. head of law, company secretary or compliance officer;
- e. chief investment officer, by whatever name called;
- f. head of internal audit;
- g. heads of operational departments; and
- h. any other officer which the Commission may include.

(2) A proposed director or chief executive or principal officer of the insurer shall not assume the charge of office until their appointment has been approved by the Commission.

(3) The application for seeking approval of the Commission under Sub-Regulation (2) shall be submitted by the insurer along with the requisite information required under Annexure "A" and an Affidavit as specified in Annexure "B".

(4) The appointment of Key Officers of an insurer does not require the approval of the Commission, however an insurer shall ensure at the time of appointing a Key Officer that such person qualifies the requirements of these Regulations.

(5) The fitness and propriety of a person shall be assessed by taking into account all the relevant factors including but not limited to the following:

- (i) Integrity and track record of such person;
- (ii) Financial soundness of such a person;
- (iii) Competence and capability of the person; and
- (iv) Conflict of interest of such person with the business of the insurer.

(6) All persons subject to these Regulations shall submit any change in the submitted information through the authorized person of the insurer to the Commission.

3. ASSESSMENT OF FITNESS AND PROPRIETY

(i) Integrity and Track Record

A person shall not be considered a Fit and Proper person if he:

- (a) has been involved in criminal breach of trust, fraud, etcetera;
- (b) has been convicted of an offence involving moral turpitude;
- (c) has been subject to adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;
- (d) has been actively involved in the management of a company whose registration or license has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to financial irregularities or malpractices;
- (e) is ineligible, under the Companies Ordinance, 1984 or any other legislation from acting as a director; or
- (f) has entered into a plea bargain arrangement with the National Accountability Bureau.

(ii) Financial soundness

In determining a person's financial soundness, the following shall be considered:

- (a) whether such person's financial statements including wealth statements and income tax returns or assessment orders are available;
- (b) whether the person has been defaulter in repayment of loan to a financial institution, exceeding Rupees one million or defaulter of a stock exchange;

- (c) whether the person has applied to be adjudicated as an insolvent and his application is pending; or
- (d) whether the person is an un-discharged insolvent.

(iii) **Competence and Capability**

In determining a person's competence and capability the following shall be considered:

- (a) the chief executive or principal officer must fulfill the following requirements:
 - (I) such person must have a minimum educational qualification of a bachelor's degree from an institution recognized by the Higher Education Commission of Pakistan or foreign qualification of equivalent level recognized by the Higher Education Commission of Pakistan, with at least 10 years experience out of which 5 years as Key Officer in the insurance industry; or
 - (II) such person must (a) be an ACII or FCII, (b) be an ACA or FCA or CPA, (c) be a Fellow of the Institute of Actuaries or Society of Actuaries or (d) hold a masters degree in Insurance, Risk Management or Actuarial Science from a university recognized by the Higher Education Commission with at least 5 years experience as Key Officer in the insurance industry; and
- (b) the directors should be individuals having management or business experience of at least five years at senior level.
- (c) the key officers must be qualified professionals possessing relevant experience and duly recognized certification relating to the job or assignment.

(iv) **Conflict of interest**

- (a) The chief executive, principal officer or director or key officers of an insurer shall not:
 - (I) be a director in any other insurer engaged in a similar business in Pakistan;
 - (II) have any direct or indirect ownership or management interest in any insurance surveyor or insurance broker; and
 - (III) be a member of stock exchange or director or employee of a brokerage house registered at any stock exchange or a spouse of such persons or be in control of more than twenty percent shareholding of a corporate brokerage house either directly or indirectly.
- (b) In case of Key Officers, the insurer must ensure that they are not involved in cross functional activities, directly or indirectly, which may give rise to conflict of interest within the organization. For example, the same person shall not work, directly or indirectly, for or in the departments of audit and accounts, sales and underwriting, sales and claims, etc.

4. TRANSITIONAL PROVISION

The insurers shall ensure that:

- (1) their existing Key Officers comply with the provisions of this notification within six months from the date of publication of this notification;
- (2) a person appointed as chief executive or principal officer after the issuance of these regulations is in compliance with provisions of these Regulations, however the existing chief executive officer or the principal officer shall be required to comply with the provisions of these Regulations within five years from the date of notification of these regulations; and
- (3) the existing directors comply with provisions of these Regulations before the commencement of their new term in office, if any, as directors.

**Information to be provided
by proposed director and proposed chief executive of the insurance company**

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1.	Curriculum Vitae/Resume containing:
a	Name: (former name if any):
b	Father's or Husband Name:
c	C.N.I.C # (attach copy)
d	Nationality:
e	Age:
f	Contact details:
	i) Residential address:
	ii) Business address:
	iii) Tel:
	iv) Mobile:
	v) Fax:
	vi) E-mail:
g	National Tax Number:
h	Present occupation:
i	Qualification(s):
	i) Academic:
	ii) Professional:
j	Experience: (Positions held during the last 10 years along with name and address of company/ institution)
2.	<p>Nature of directorship Executive <input type="checkbox"/> Non-executive <input type="checkbox"/></p> <p>Status of directorship Nominee director <input type="checkbox"/></p> <p>Number of shares subscribed or held _____</p> <p>Nominated by _____ (name of shareholder)</p> <p>Personal net worth (copy of wealth statement) _____</p>
3.	Names of companies, firms and other organizations of which the proposed person is a director, partner, office holder .

4.	In the case of appointment of directors the date of board of directors' meeting in which the appointment of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors. If the director is elected, then attach a copy of the minutes of the general meeting of the company.)
5.	Names of persons on the board of the insurance company who are related to the applicant.

* Latest Photograph of the applicant must be attached

FITNESS & PROPRIETARY OF KEY Officers

Signature

*use additional sheets if required

AFFIDAVIT

(On Stamp Paper of Appropriate Value)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ do hereby state on solemn affirmation as under:-

1. That I am eligible for the position of _____ according to the Sound and Prudent Management Regulations, 2011 for the position of _____ in _____.
2. That I hereby confirm that the statements made and the information given by me is correct and that there are no facts which have been concealed.
3. That I have no objection if the Securities and Exchange Commission of Pakistan requests or obtains information about me from any third party.
4. That I undertake to bring to the attention of the Securities Exchange Commission of Pakistan any matter which may potentially affect my status for the position of _____ as per the Sound and Prudent Management Regulations, 2011.
5. That all the documents provided to Securities Exchange Commission of Pakistan are certified true copies of the originals.

DEPONENT

The Deponent is identified by me

Signature _____
ADVOCATE
(Name and Seal)

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature _____
OATH COMMISSIONER FOR TAKING AFFIDAVIT
(Name and Seal)