



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 06 of 2021

East West Insurance Company Limited

...Appellant

Versus

Executive Director/HOD (Adjudication-I) SECP

...Respondent

Date of hearing:

May 08, 2025

Present:

For the Appellant:

1. Mr. Johry Lal (Authorized Representative through Zoom)

For the Respondent:

1. Mr. Sohail Qadri, Director, Adjudication Department-I, SECP
2. Mr. Shafiq Ur Rehman, Additional Joint Director, Adjudication Department-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 06 of 2021 filed by East West Insurance Company Limited (the "Appellant") under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") against Order dated November 25, 2020 (the "Impugned Order") passed by the Executive Director/HOD, Adjudication-I, SECP (the "Respondent") passed under Section 156 of the Insurance Ordinance, 2000 (the "Ordinance").

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2. The brief facts of the case are that the Appellant is a company registered with the Securities and Exchange Commission of Pakistan (the "Commission") under the Ordinance to carry on the business of non-life Insurance in Pakistan. While examining the annual audited accounts and regulatory returns of the Appellant for the year ended December 31, 2018, it was revealed that the Company has not provided the complete information as prescribed in the General Credit and Suretyship form ("Form GCS") as set out under Annexure to the Credit and Suretyship (Conduct of Business) Rules, 2018 (the "Rules") read with Rule 6 of the Rules. It was revealed that the Appellant had not disclosed the form/type of collateral in the Statements of Credit and Suretyship Class of Business. The Appellant was advised vide the Insurance Division's email dated February 03, 2020 to provide the Statement of Credit and Suretyship containing the form/type of the collateral but no positive reply was submitted by the Appellant. Subsequently, the Appellant was again advised vide an email dated February 19, 2020 to provide the Statement of Credit and Suretyship disclosing the form/type of collateral to confirm compliance with the Rules, yet again no positive or detailed response was submitted by the Appellant.
3. In light of the above-mentioned violation, the Respondent issued a Show-Cause Notice dated May 28, 2020 (the "SCN") to the Appellant. The Appellant submitted a written reply to the SCN vide a letter dated October 27, 2020. Subsequently, a hearing in the matter was held on November 06, 2020 which was attended by the authorized representatives of the Appellant Company. The Respondent concluded the SCN proceedings and not being satisfied with the stance taken by the Appellant and in exercise of powers conferred under Section 156 of the Ordinance, imposed a penalty of Rs. 100,000/- (Rupees One Hundred Thousand only) upon the Appellant for the violation of the mandatory requirements of Rule 6 of the Rules read with Annexure to the Rules.
4. The Appellant has preferred this appeal *inter alia* on the grounds that the Impugned Order has been passed on the basis of misapplication and non-reading of facts as submitted by the Appellant vide its response dated October 27, 2020 and the verbal submissions made at the

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time of the hearing. The Appellant submitted that the imposition of penalty against the observations made by the Respondent is un-just and un-lawful and needs to be withdrawn. The Appellant asserted that as required under Rule 6 of the Rules, the required regulatory returns were submitted and the only information left to be incorporated was the form/type of collateral. The Appellant submitted that at the time when the missing information was called for by the Commission, the relevant staff was occupied with the external auditors conducting statutory audit for the year 2019 which had to be completed within the deadline as per the Companies Act, 2017 and later due to the Covid-19 pandemic offices were closed. The Appellant further asserted that the required information was provided to the Commission vide correspondence dated October 27, 2020, and the said fact should have been appreciated by the Respondent.

5. The Respondent rebutted the grounds of appeal and put forth the arguments that the reply of the Appellant in response to the SCN was not found to be cogent and a hearing opportunity was granted to the Appellant. The Respondent submitted that the Appellant did not provide the type of collateral in respect of all the insurance policies issued by it under the Credit and Suretyship business and such an act by the Appellant cannot be treated as an 'error', as it was a deliberate concealment of the information on the part of the Appellant as such information is essential for assessment of quality of the collateral. The Respondent further argued that despite multiple reminders by the Insurance Division of the Commission, the Appellant failed to submit the complete form GCS within the due date of April 30, 2019 which clearly is a violation of Rule 6 of the Rules. The Respondent stated that Covid-19 pandemic had occurred much later than the due date for submission of the record, therefore, the Appellant cannot take refuge behind the Covid-19 pandemic for delay in filing of the form GCS. The Respondent stated that the violation of the Rule 6 of the Rules is established and admitted by the Appellant therefore, the penalty imposed upon the Appellant through the Impugned Order should be upheld.
6. The Appellate Bench (the "Bench"), after careful consideration of the facts and submissions made by both parties, declares that the violation of Rule 6 of the Rules stands established. The



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Bench has noted that the Appellant had failed to provide complete and timely disclosure of the form and type of collateral in the Statement of Credit and Suretyship form as mandated under the Rules, despite multiple reminders and opportunities to comply.

7. The Bench is of the view that the Appellant's explanation attributing the delay to the statutory audit process and the Covid-19 pandemic is not accepted as a valid justification, since the deadline for submission of the form GCS was April 30, 2019, well before the onset of the pandemic.
8. In light of the above, the penalty of Rs. 100,000/- (Rupees One Hundred Thousand only) imposed through the Impugned Order is hereby upheld. The Appellant is further directed to ensure strict compliance with all regulatory requirements prescribed under the Ordinance and the Rules in the future. It is emphasized that such regulatory obligations are mandatory and critical to maintaining transparency, accountability and the integrity of the insurance sector and failure to adhere to these requirements in the future will invite more stringent actions and penalties as provided under the law.
9. In view of the foregoing, we find no reason to interfere with the merits of the Impugned Order, therefore, by maintaining the Impugned Order, we hereby **dismiss** this Appeal without any order as to cost.

(Abdul Rehman Warraich)
Commissioner

(Mujtaba Ahmad Lodhi)
Commissioner

Announced on:

18 AUG 2025