



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 12 of 2020

M/s. TPL Life Insurance Limited

...Appellant

Versus

Executive Director/HOD, Adjudication – I, SECP

...Respondent

Date of hearing:

September 21, 2023

Present:

For the Appellant:

1. Mr. Kamran Rafique Shaikh – Compliance Officer
2. Mr. Shah Zaman – Manager Accounts and Finance

For the Respondent:

1. Mr. Hammad Javed, Additional Director, Adjudication-I, SECP
2. Mr. Shafiq -ur- Rehman, Additional Joint Director, Adjudication-I, SECP
3. Mr. Raja Farukh Ahmad, Additional Joint Director, Adjudication- I, SECP

ORDER

1. This Order shall dispose of Appeal No. 12 of 2020 filed by M/s. TPL Life Insurance Limited (the “Appellant”) under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the



Securities and Exchange Commission of Pakistan

“SECP Act”) against the order dated January 03, 2020 (the “Impugned Order”) passed by the Executive Director/Head of Department Adjudication-I (the “Respondent”) under Section 40A of the SECP Act read with the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the “Regulations”).

2. The brief facts of the case are that the Appellant is an insurance company registered under the Insurance Ordinance, 2000 (the “Ordinance”) to carry on the business of insurance in Pakistan. An on-site inspection of the Appellant was conducted to assess the compliance of the Appellant with the Regulations. During inspection a number of instances were observed where the Appellant had failed to comply with the applicable provisions of the Regulations i.e. regulations 4(a)&(b), 6(3), 6(4), 6(5a), 6(8) and regulations 20(aa), (a) & (b). In light of these violations, a Show-Cause Notice dated November 29, 2019 (the “SCN”), was issued to the Appellant. After examining the submissions and considering the facts, the Respondent, in exercise of powers conferred under Section 40A of the SECP Act, vide Impugned Order imposed a penalty of Rs. 650,000/- on the Appellant for the aforementioned contraventions of the Regulations.
3. The Appellant has preferred this Appeal, *inter alia*, on the grounds that the Respondent in the Impugned Order has omitted to furnish any rationale for the imposition of a substantial penalty upon the Appellant. The Appellant argued that the Respondent's failure lies in their inability to recognize the Appellant's earnest endeavors to adhere to the Regulations. The Appellant further contended that despite the Appellant's relatively diminutive portfolio he has engaged the services of a dedicated third-party consultant, to comply with the Know Your Customer (KYC) requirements. Furthermore, the Appellant submitted that the Respondent has erroneously arrived at the conclusion that the Appellant transgressed regulations 4(a) & (b), 20, and 20(a) of the Regulations. The Appellant contended that, at the time when the Impugned Order was issued, the requisite policies were already in place. Moreover, the Appellant asserted that during the hearing, the Respondent was apprised of their intent to seek approval from the Board of Directors concerning quarterly screening of its customer database, a measure it undertook to effectuate in December 2019. It was further contended by the Appellant that, as delineated in Guideline 15 (i) of the Guidelines on the Regulations, a regulated person's controls should be commensurate with the nature, scale, and complexity of their operations, inclusive of an employee training program. The Respondent, it was argued by the Appellant, did not duly consider the fact that the Appellant is a fledgling company with a constrained workforce, thus necessitating a quarterly, department-specific

ML.



Securities and Exchange Commission of Pakistan

training regimen. The Appellant further contended that notably, regulation 15(ii) of the Regulations accords the Appellant the latitude to conduct annual training sessions; however, the Appellant's prudence dictates adherence to the quarterly training schedule, given the exigencies of its operations. The Appellant also underscored that the Regulations were promulgated on June 13, 2018, and subsequently, the Appellant was diligently in the process of updating its policies, however, the inspection was abruptly conducted, affording insufficient time for policy revisions. Moreover, the Appellant stated that it has diligently adhered to all aforementioned regulations, as evinced by the absence of similar non-compliance issues during a subsequent inspection conducted by the Securities and Exchange Commission of Pakistan (SECP). The Appellant requested the Appellate Bench (the "Bench") to adopt a more lenient perspective, duly considering the aforementioned contextual factors.

4. The Respondent countered the grounds of the Appeal and preferred arguments, that violation of the Regulations was manifestly discernible during the course of the inspection. Specifically, the Respondent highlighted the Appellant's failure to procure the requisite documentation pertaining to the beneficial owners of certain corporate clientele, a fundamental pre-requisite for the efficacious execution of Know Your Customer/ Customer Due Diligence (KYC/CDD) protocols. Moreover, the Respondent stated that the instances of non-compliance vis-à-vis regulations 4(a) & (b), 20, and 20(a) of the Regulations were unassailable, primarily on account of the Appellant's conspicuous absence of a comprehensive employee due diligence policy. The Respondent argued that it was underscored that the Appellant's neglect in conducting quarterly screenings of its customer database, in a timely fashion, stood as a palpable deviation from the regulatory mandate. The Respondent rebutted the contention of the Appellant, purported that the dearth of employees obviates the necessity of conducting requisite training. The Respondent further argued that such an asseveration is bereft of legal merit and constitutes a manifest contravention of regulation 20(b) of the Regulations. While summing up, the Respondent reemphasized the veracity of the observed violations of the Regulations by the Appellant during the course of the inspection, thereby substantiating the Appellant's susceptibility to pecuniary penalties in accordance with the established legal framework

5. The Bench has heard the arguments of both the parties and perused the record. The Bench is of the opinion that the Appellant had an obligation to adhere to the relevant requirements of the Regulations which should have been followed by the Appellant in true letter and spirit. In this particular case, the Appellant failed to comply with the mandatory requirements and neglected to implement mandatory



Securities and Exchange Commission of Pakistan

policies. Money laundering is a serious crime and its severity cannot be underestimated. Regulated individuals are expected to be highly vigilant in adhering to AML laws and should not offer excuses to avoid compliance.

6. In view of the foregoing, the Bench, finds no reason to interfere in the Impugned Order. Therefore, the instant Appeal is dismissed without any order as to costs.

(Abdul Rehman Warraich)
Commissioner

(Mujtaba Ahmad Lodhi)
Commissioner

Announced on: 24 OCT 2023