



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 22 of 2022

Chubb Insurance Pakistan Limited

..... Appellant

versus

Director/HOD, Adjudication-I, SECP

..... Respondent

Date of Hearing:

May 13, 2026

Present:

For the Appellant:

1. Mr. Furkan Ali, Authorized Representative
2. Mr. Sahar Ali Khan, Authorized Representative

For the Respondent:

Mr. Shafiq ur Rehman, Additional Joint Director, Adjudication-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 22 of 2022 filed by Chubb Insurance Pakistan Limited (the "Appellant"), against the Order dated November 30, 2021 (the "Impugned Order"), passed by the Director/HOD, Adjudication-I, SECP (the "Respondent"), under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") read with Regulations 6(3) (a), 6(4), 6(5a), 6(7), 9(4), 10(1), 10(2), 11(2) and 13(7) of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "AML Regulations").

MAPL



Securities and Exchange Commission of Pakistan

2. Brief facts of the case are that the Appellant is a non-life insurance company registered under the Insurance Ordinance, 2000 (the "Ordinance"). An onsite inspection of the Appellant was conducted pursuant to an Order dated December 16, 2020 issued under Section 59A of the Ordinance in order to assess the Appellant's compliance with the AML Regulations. During the inspection, it was observed, *prima facie*, that the Appellant had committed various violations of the AML Regulations, including failure to obtain and maintain copies of identification documents/CNICs of directors and key officials of corporate customers in violation of Regulation 6(4) read with Annexure-I; failure to conduct adequate enhanced due diligence and implement proper monitoring and screening measures in respect of a high-risk foreign corporate client and a foreign politically exposed person ("PEP") in contravention of Regulations 9(4), 10(1), and 10(2); failure to maintain written justification for categorization of customers as "low risk" in violation of Regulation 11(2); and failure to identify and verify beneficial ownership information and maintain effective screening and ongoing monitoring mechanisms regarding proscribed persons/entities in violation of Regulation 13(7) read with Regulation 6(5)(a), of the AML Regulations.

3. In view of the aforesaid observations, the Respondent issued a Show Cause Notice dated May 31, 2021 (the "SCN") to the Appellant. The Appellant submitted its written reply dated June 16, 2021 denying the alleged violations and asserting, *inter alia*, that non-life insurance business inherently carried low money laundering and terrorist financing risks and that the Appellant had adopted internal AML policies and screening procedures in accordance with the AML Regulations. Thereafter, hearing in the matter was conducted on June 23, 2021 through a *Zoom* meeting, where the authorized representatives of the Appellant appeared and reiterated the submissions advanced in the written reply. Consequently, the Respondent, upon consideration of the material available on record as well as the written and oral submissions of the Appellant, concluded vide impugned Order dated November 30, 2021 that violations of Regulation 11(2), Regulation 6(4) read with Annexure-I, and Regulation 13(7) read with Regulation 6(5)(a) of the AML Regulations stood established, while the remaining allegations were not sustained. Accordingly, in exercise of powers conferred under Section 40A of the SECP Act, 1997, a penalty of Rs.



Securities and Exchange Commission of Pakistan

125,000/- was imposed upon the Appellant. The Appellant was further directed to fully implement AML/CFT measures, strengthen its policies and procedures, and submit a compliance report to the Supervision Division within one month of the impugned Order.

4. The Appellant has preferred the instant Appeal, *inter alia*, on the grounds that the Impugned Order is legally unsustainable, being a non-speaking order passed without proper application of independent mind and in violation of the principles of natural justice. It was contended that the Respondent failed to provide adequate reasoning to establish how the Appellant had allegedly violated the AML Regulations and further failed to meaningfully consider the detailed written and oral submissions advanced by the Appellant during the adjudication proceedings. In this regard, reliance was placed upon Section 24-A of the General Clauses Act, 1897, to contend that every administrative or quasi-judicial order must disclose proper reasoning and reflect due consideration of the material available on record.
5. The Appellant further submitted that the Respondent had failed to appreciate the nature and risk profile of the Appellant's business. It was argued that the Appellant is primarily engaged in non-life insurance business, particularly property and casualty insurance, which by its very nature carries minimal exposure to money laundering and terrorist financing risks as compared to banking, investment, or life insurance businesses. The Appellant referred to the National Risk Assessment Report for Pakistan for the year 2019 ("NRA") to contend that term life and casualty insurance products, having no investment component, are generally considered low-risk from an AML/CFT perspective. It was further submitted that the Appellant's business model does not involve deposit-taking, investment management, or storage and transfer of value, thereby substantially reducing the possibility of misuse for illicit financial activities.
6. The Appellant contended that it had developed and implemented a comprehensive internal AML/CFT policy based on a risk-based approach proportionate to the risks identified under the AML Regulations. It was submitted that the Appellant maintained documented risk assessment criteria and utilized customer risk rating forms to justify categorization of customers, including customers classified as "low risk." The Appellant argued that such



Securities and Exchange Commission of Pakistan

rating forms had been prepared in accordance with formats previously shared with and accepted by the Respondent. Accordingly, it was contended that the finding recorded in the Impugned Order regarding violation of Regulation 11(2) was contrary to the material available on record.

7. The Appellant further submitted that the Respondent had failed to consider the valid justifications advanced by the Appellant for categorizing certain categories of customers as “low risk.” In this regard, it was argued that the Appellant’s reinsurance portfolio primarily comprised insurance companies regulated by the SECP; that a substantial portion of its customers consisted of publicly listed companies; that ‘small-ticket’ accident and health policies issued through bancassurance channels promoted financial inclusion and involved minimal AML/CFT risks; and that liaison offices and branches of multinational companies were already subject to disclosure and regulatory requirements in their respective jurisdictions. According to the Appellant, such classifications were fully consistent with the risk-based framework envisaged under the AML Regulations.
8. The Appellant further argued that the Respondent had erroneously interpreted Annexure-I of the AML Regulations by requiring the Appellant to obtain CNICs of directors of corporate customers. It was submitted that non-life insurance business does not involve operation of accounts or transactional relationships through authorized signatories in the manner applicable to banking or investment products. The Appellant contended that it already obtained all other relevant corporate documents, including Form-A, Memorandum and Articles of Association, as part of its due diligence process, and therefore the alleged violation of Regulation 6(4) read with Annexure-I was misconceived.
9. The Appellant further contended that the finding regarding violation of Regulation 13(7) read with Regulation 6(5)(a) of the AML Regulations was erroneous and based upon a misunderstanding of the regulatory framework. It was submitted that Regulation 13(7) merely requires regulated persons to ensure that no business relationship exists with proscribed persons or entities and to undertake continuous monitoring where such relationships exist. According to the Appellant, since it had no business relationship with any such proscribed entities, the requirement of continuous monitoring did not arise in the



Securities and Exchange Commission of Pakistan

manner alleged by the Respondent. The Appellant further submitted that, under Regulation 11(3), simplified customer due diligence measures are permissible in low-risk scenarios, including reduced frequency of customer identification updates and ongoing monitoring requirements.

10. The Appellant also submitted that, notwithstanding the applicability of simplified due diligence measures, it nevertheless maintained adequate sanctions screening mechanisms. It was argued that all customers were screened against Office of Foreign Assets Control (“OFAC”), United Nations Security Council Resolution (“UNSCR”), and National Counter Terrorism Authority (“NACTA”) sanctions lists at the time of policy issuance as well as prior to payment of claims or refund of premiums, while potential matches were escalated to the regional compliance team for further review. The Appellant contended that these measures sufficiently demonstrated compliance with the obligations contained in Regulation 13(7) of the AML Regulations.

11. The Appellant, lastly, argued that the Respondent had failed to appreciate the fundamental distinction between life and non-life insurance businesses. It was submitted that unlike life insurance products, non-life insurance policies do not involve investment returns, recurring transactional flows, or mechanisms capable of facilitating transfer or storage of value. Rather, claims are payable only upon occurrence of specified insured events. Therefore, according to the Appellant, the AML/CFT risks associated with non-life insurance products are inherently minimal, and the Respondent failed to properly account for this distinction while interpreting and applying the AML Regulations.

12. In response to the submissions of the Appellant, the Respondent, *inter alia*, submitted that the Impugned Order had been passed strictly in accordance with law after due consideration of the material available on record. The Respondent submitted that the Impugned Order adequately analyzed the submissions and documentary evidence furnished by the Appellant and properly established the defaults committed by the Appellant under the AML Regulations. It was further maintained that the Impugned Order was a reasoned and speaking order reflecting due application of mind to the facts and circumstances of the case.



Securities and Exchange Commission of Pakistan

13. The Respondent further submitted that the AML Regulations were promulgated with the object of ensuring that regulated persons establish effective systems for detection and mitigation of money laundering and terrorist financing risks and implement robust AML/CFT compliance frameworks. According to the Respondent, the mere assertion that the Appellant's business involved comparatively low ML/TF risks could not absolve the Appellant from complying with the mandatory obligations prescribed under the AML Regulations. The Respondent maintained that all regulated persons, irrespective of the nature of their business, remain bound to comply with the applicable customer due diligence, monitoring, and compliance requirements prescribed under the regulatory framework.
14. The Respondent further maintained that the issue relating to categorization of customers as "low risk" had already been examined in detail in the Impugned Order and that the deficiencies identified in relation thereto had been rightly established against the Appellant. It was submitted that Regulation 11 of the AML Regulations expressly required a regulated person to justify in writing the categorization of each individual customer as "low risk," and such obligation could not be dispensed with merely on the basis of general assumptions regarding categories of customers or the nature of the insurance business being conducted by the Appellant.
15. The Respondent further submitted that the Impugned Order had correctly concluded that the Appellant failed to obtain and verify identity documents of directors of certain corporate clients, thereby violating Regulation 6(4) read with Annexure-I of the AML Regulations. According to the Respondent, the AML Regulations neither expressly nor impliedly provided any exemption to non-life insurance companies from complying with the requirements prescribed under Annexure-I, and therefore the contention advanced by the Appellant regarding non-applicability of such requirements was legally misconceived.
16. The Respondent further maintained that the deficiencies identified during inspection demonstrated ineffective ongoing monitoring of customer relationships and exposed the Appellant to the risk of establishing direct or indirect relationships with proscribed or designated persons/entities. It was submitted that the non-compliances established in the

MARK



Securities and Exchange Commission of Pakistan

Impugned Order directly related to the Appellant's failure to implement adequate monitoring and screening mechanisms as envisaged under Regulations 13(7) and 6(5)(a) of the AML Regulations.

17. The Respondent also submitted that the reliance placed by the Appellant upon simplified customer due diligence measures under Regulation 11 was misconceived. According to the Respondent, although reduced CDD/KYC measures may be permissible in genuinely low-risk cases where adequate analysis and controls exist, Regulation 11 nevertheless mandates regulated persons to record written justification for categorizing each customer as 'low risk'. The Respondent further emphasized that the proviso to Regulation 11(2) expressly stipulates that simplified due diligence measures are not permissible where suspicion of money laundering or terrorist financing exists or where specific high-risk scenarios apply, in which circumstances full KYC/CDD obligations remain mandatory.

18. The Appellate Bench (the "Bench") has heard the arguments of both the parties and perused the record. The Bench notes, at the outset, that the Appellant, being a licensed securities broker, is under a continuing statutory obligation to comply with the AML Regulations, and compliance with such obligations is fundamental to the integrity, transparency, and stability of the capital market.

19. The Bench notes that the principal controversy in the instant matter pertains to whether the violations established by the Respondent under Regulations 11(2), 6(4) read with Annexure-I, and 13(7) read with Regulation 6(5)(a) of the AML Regulations were correctly determined in light of the Appellant's AML/CFT framework and the nature of its non-life insurance business.

20. The Bench notes that one of the primary contentions advanced by the Appellant was that its business predominantly comprised non-life insurance products carrying inherently low money laundering and terrorist financing risks and, therefore, simplified customer due diligence measures were sufficient in the circumstances of the case. In support thereof, the Appellant relied upon the NRA and asserted that property and casualty insurance products



Securities and Exchange Commission of Pakistan

lack investment or value-transfer characteristics ordinarily associated with elevated ML/TF risks.

21. The Bench finds that although the AML Regulations do recognize the concept of simplified due diligence in low-risk scenarios, such relaxation is neither automatic nor blanket in nature. Regulation 11 of the AML Regulations expressly provides that simplified or reduced customer due diligence measures may only be applied where low risk is identified through adequate risk analysis or where adequate checks and controls exist. More importantly, sub-regulation (2) unequivocally mandates that the decision to rate a customer as 'low risk' shall be justified in writing by the regulated person. The Regulation is reproduced below:

"11. Simplified Due Diligence.- (1) Where low risk is identified through adequate analysis of risk or where adequate checks and controls exist, regulated person may apply simplified or reduced Customer Due Diligence / Know Your Customer measures.

(2) The decision to rate a customer as low risk shall be justified in writing by the regulated person....."

22. The regulatory scheme, therefore, clearly envisages customer-specific risk assessment and documentation, rather than generalized classification of an entire business line or customer base as low risk. The Bench considers that the Appellant could not bypass the entire scheme of customer due diligence merely by asserting that its overall business model involved comparatively lower ML/TF risks.

23. The Bench further notes that simplified due diligence under Regulation 11 is conditional and does not dispense with the obligation to undertake proper customer identification, verification, screening, and monitoring measures. The AML framework is fundamentally risk-based in nature, but even within such framework, regulated persons remain obligated to maintain documented rationale and customer-specific assessments in support of reduced due diligence measures. The Bench, therefore, finds no illegality or infirmity in the Respondent's conclusion that the Appellant failed to comply with Regulation 11(2) of the AML Regulations.



Securities and Exchange Commission of Pakistan

24. With regard to the violation of Regulation 6(4) read with Annexure-I of the AML Regulations, the Bench observes that the requirement relating to obtaining and maintaining identification documents of directors and relevant officials of corporate customers forms part of the prescribed customer due diligence framework applicable to regulated persons. The contention advanced by the Appellant that such requirements were inapplicable to corporate customers on the basis that no accounts were opened and no signatories operated the insurance policies is not borne out from the plain language of the AML Regulations. The Bench notes that Annexure-I specifically contemplates identification and verification requirements in relation to corporate customers, and no exemption from such requirements can be inferred merely because the Appellant's business did not involve operation of accounts in the conventional banking sense.
25. The Bench further notes that deficiencies regarding identification documents of certain corporate customers were admittedly observed during the inspection proceedings. The record further reflects that the Appellant subsequently obtained and furnished the requisite identification documents of such corporate customers. While such subsequent compliance does not obliterate the violation already committed under Regulation 6(4) read with Annexure-I of the AML Regulations, the Bench considers the same to be a mitigating circumstance relevant to the determination of the appropriate quantum of penalty.
26. The Bench holds that the Impugned Order adequately considered the submissions advanced by the Appellant and cannot be termed a non-speaking order merely because the findings ultimately recorded were adverse to the Appellant. The reasoning recorded by the Respondent sufficiently discloses the basis upon which the violations were established and demonstrates application of mind to the material available on record.
27. In view of the foregoing, the Bench upholds the findings recorded in the Impugned Order. However, taking into consideration the subsequent compliance undertaken by the Appellant in relation to Regulation 6(4), particularly the provision of identification documents pertaining to corporate clients, the Bench considers it appropriate to extend limited leniency to the Appellant on the question of penalty. Consequently, while



Securities and Exchange Commission of Pakistan

maintaining the findings of violations in their entirety, the penalty imposed through the Impugned Order is reduced to Rs. 100,000/-.

28. Any person or party aggrieved by this Order may, within sixty (60) days from the date hereof, prefer an Appeal under Section 34 of the SECP Act, before the competent forum, strictly in accordance with law. Accordingly, the Appeal is disposed of in the above terms with no order as to costs.

(Muzzafar Ahmed Mirza)
Commissioner

(Muhammad Ali Farid Khwaja)
Commissioner

Announced on: 09 JUN 2026