



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 22 of 2023

Postal Life Insurance Company Limited

..... Appellant

versus

Director/HoD, Adjudication-I, SECP

..... Respondent

Date of Hearing:

May 07, 2026

Present:

For the Appellant:

Saadat Ali Saeed, Authorized Representative

For the Respondent:

Mr. Hammad Ahmed, Assistant Director, Adjudication Department-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 22 of 2023 filed by Postal Life Insurance Company Limited (the "Appellant"), against the Order dated December 16, 2022 (the "Impugned Order"), passed by the Director/HoD, Adjudication-I, SECP (the "Respondent"), under Section 6(A)(2)(h) of the Anti-Money Laundering Act, 2010 (the "AML Act") read with Rule 6(1) of the AML/CFT Sanction Rules, 2020 (the "AML Rules") and Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 (the "AML Regulations").



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2. Brief facts of the case are that the Appellant is a life insurance company registered under the Insurance Ordinance, 2000 and regulated by the Securities and Exchange Commission of Pakistan (“SECP”). An inspection was conducted by SECP vide Inspection Order dated July 15, 2021 to assess the compliance status of the Appellant with the AML Regulations. The inspection revealed, *prima facie*, that the Appellant had committed certain violations of the AML Regulations, including failure to obtain adequate proof of source of income of certain policyholders in contravention of clause (o) of Note (i) of Annexure-I read with Regulation 9(b) of the AML Regulations; and failure to establish and maintain an independent audit function for AML/CFT compliance in violation of Regulation 27(1)(d) of the AML Regulations, as no internal audit reports were prepared or shared for the year 2021.

3. In view of the aforesaid observations, the Respondent issued a show-cause notice dated September 8, 2022 (the “SCN”) to the Appellant. The Appellant submitted its written reply dated September 21, 2022 and contended that requisite information regarding customers’ source of income had been obtained through proposal forms and that additional documentation was not mandatory under the AML Regulations. It was further submitted that deficiencies identified during inspection had subsequently been rectified and AML/CFT compliance mechanisms had been implemented. Hearing in the matter was conducted on December 14, 2022, wherein the authorized representatives reiterated the submissions made in the written response. Consequently, the Respondent concluded that violations of clause (o) of Note (i) of Annexure-I read with Regulation 9(b) and Regulation 27(1)(d) of the AML Regulations stood established and, in exercise of powers conferred under Section 6A(2)(h) of the AML Act, imposed a penalty of Rs. 30,000/- upon the Appellant.

4. The Appellant has preferred the instant Appeal, *inter alia*, on the grounds that the Impugned Order is unlawful, unreasoned and liable to be set aside being violative of Section 24-A of the General Clauses Act, 1897, which obligates statutory authorities to pass speaking and reasoned orders. The Appellant argued that the Respondent failed to properly appreciate the explanations furnished in the written reply as well as during the hearing and recorded findings without adequate reasoning or independent analysis of the material available on



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record. In this regard, it was contended that the Impugned Order merely reproduced the allegations levelled in the SCN and proceeded to impose penalty without dealing with the specific explanations and mitigating circumstances advanced by the Appellant.

5. The Appellant further contended that the finding regarding violation of clause (o) of Note (i) of Annexure-I read with Regulation 9(b) of the AML Regulations was misconceived and based upon an erroneous interpretation of the regulatory framework. The Appellant submitted that the aforesaid provision merely required collection of information relating to the profession and source of earnings or income of prospective policyholders and did not prescribe any specific category, format or nature of documentary evidence to substantiate the same. It was argued that the requisite information regarding source of income had duly been obtained through proposal forms and customer profiling documents maintained by the Appellant. According to the Appellant, the Respondent travelled beyond the scope of the applicable provision by reading additional documentary requirements into the AML Regulations, which were neither expressly stipulated nor mandatory under the law.
6. The Appellant also conceded that certain shortcomings existed with regard to the independent audit function contemplated under Regulation 27(1)(d) of the AML Regulations; however, it was submitted that the Respondent failed to consider the mitigating circumstances explained by the Appellant. In this regard, the Appellant contended that it had substantially complied with the broader AML/CFT framework and had established alternate compliance controls through an independent compliance department to ensure adherence to regulatory requirements. The Appellant further submitted that, being a newly regulated entity under the Insurance Ordinance, 2000 and the AML regime administered by SECP, the AML/CFT compliance structure had to be developed from the ground up and the process of constituting the Board's Audit Committee and strengthening the internal audit function was already underway at the relevant time. It was argued that these circumstances demonstrated bona fide efforts towards compliance and ought to have been considered by the Respondent while determining liability and quantum of penalty.
7. The Appellant lastly argued that the penalty imposed through the Impugned Order was arbitrary and unsupported by any disclosed basis or methodology. The Appellant contended



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that the alleged violations pertained to separate and independent provisions of the AML Regulations; however, the Respondent neither categorized the alleged contraventions independently nor specified the basis upon which the consolidated penalty of Rs. 30,000/- had been determined. The Appellant further submitted that the absence of reasoning regarding the computation and proportionality of penalty rendered the Impugned Order legally unsustainable.

8. In response to the submissions of the Appellant, the Respondent, *inter alia*, submitted that the Impugned Order has been passed strictly in accordance with the applicable legal framework, i.e., Section 6A(2)(h) of the AML Act read with Regulation 31 of the AML Regulations, and the contention of the Appellant regarding invocation of any other statutory provision is misconceived and contrary to record. The Respondent argued that the Impugned Order adequately analyzed the facts of the case and clearly established the defaults committed by the Appellant under the applicable provisions of the AML Regulations. It was submitted that the findings recorded therein were reasoned, lawful and based upon documentary evidence gathered during inspection proceedings.
9. The Respondent further contended that the violation relating to clause (o) of Note (i) of Annexure-I read with Regulation 9(b) of the AML Regulations stood conclusively established from the inspection record. In this regard, the Respondent referred to paragraph 13(i) of the Impugned Order and submitted that the Appellant had failed to obtain proof of income, including bank statements and income tax returns, in respect of certain policyholders holding policies bearing Nos. *AEA-000171293-LHR*, *AEA-000171601-LHR* and *AEA-000171294-LHR*. According to the Respondent, the absence of requisite documentary evidence constituted non-compliance with the customer due diligence obligations prescribed under the AML Regulations and, therefore, the finding of contravention recorded in the Impugned Order was justified and in accordance with law.
10. The Respondent also submitted that the Appellant had substantially admitted its failure to comply with Regulation 27(1)(d) of the AML Regulations by acknowledging that its internal audit department was unable to effectively perform AML/CFT-related responsibilities. Referring to paragraph 13(ii) of the Impugned Order, the Respondent argued that the Appellant neither provided internal audit reports relating to AML/CFT



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compliance for the year 2021 nor demonstrated existence of an effective audit mechanism, as the Audit Committee had not yet been established. The Respondent further contended that the Appellant failed to share the contents of any internal audit plan or reports concerning AML/CFT compliance, thereby establishing that adequate systems of control, implementation and testing in the area of AML/CFT were not maintained by the Appellant, in violation of Regulation 27(1)(d) of the AML Regulations.

11. With regard to the quantum of penalty, the Respondent submitted that the applicable penal framework was contained in Section 6A of the AML Act read with Rule 6(1) of the AML/CFT Sanctions Rules, 2020, which prescribed monetary penalties of up to Rs.100 million for each violation. It was argued that, despite establishment of multiple violations, the Respondent had imposed only a consolidated penalty of Rs.30,000/- upon the Appellant after considering the facts and circumstances of the case. According to the Respondent, the penalty imposed was modest, proportionate and fully within the statutory parameters prescribed under the AML regime.
12. 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.
13. The Bench observes that one of the contentions raised by the Appellant is that the Impugned Order is non-speaking and violative of Section 24-A of the General Clauses Act, 1897. The Bench, however, is unable to agree with the said contention. The Bench notes that the Respondent examined the inspection findings, considered the written as well as oral submissions advanced by the Appellant and thereafter recorded specific findings with respect to each established violation. The Bench further observes that the Impugned Order clearly identifies the relevant provisions allegedly contravened, the factual basis of such contraventions and the reasons which persuaded the Respondent to conclude that the violations stood established. The Bench holds it is trite law that a speaking order is one which demonstrates application of mind to the material issues involved in the proceedings.



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In the present matter, the Bench finds that the Impugned Order sufficiently satisfies the requirement of a reasoned adjudicatory determination.

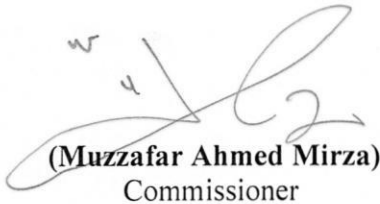
14. The Bench further notes that the inspection findings specifically identified instances where the Appellant failed to obtain and maintain adequate documentary evidence regarding the source of income of certain policyholders. The Bench observes that the Appellant sought to justify the omission by contending that the AML Regulations merely required collection of source of income information and did not prescribe any specific category or form of documentary evidence. The Bench is, however, not persuaded by the said contention. The Bench holds that customer due diligence obligations under the AML framework necessarily contemplate maintenance of adequate and verifiable records enabling a regulated entity to reasonably satisfy itself regarding the financial profile and legitimacy of transactions of its customers. The Bench finds that mere disclosure of source of income particulars in proposal forms, without supporting documentary evidence in appropriate cases, cannot be regarded as sufficient compliance with the obligations envisaged under clause (o) of Note (i) of Annexure-I read with Regulation 9(b) of the AML Regulations. Accordingly, the Bench finds no infirmity in the finding recorded by the Respondent in relation to the aforesaid violation.

15. The Bench further observes that the Appellant has itself acknowledged shortcomings relating to the establishment and functioning of the internal audit mechanism contemplated under Regulation 27(1)(d) of the AML Regulations. The Bench notes that the Appellant neither provided AML/CFT-related internal audit reports for the relevant period nor demonstrated the existence of an effective audit framework capable of independently reviewing and testing compliance systems. The Bench further notes that although the Appellant referred to mitigating circumstances, including its transition into the SECP regulatory framework and the process of constituting internal compliance structures, such circumstances may explain the deficiencies but do not extinguish the underlying non-compliance. The Bench holds that obligations relating to AML/CFT compliance are fundamental regulatory requirements and regulated entities are expected to establish effective internal controls and audit mechanisms to ensure adherence to the applicable legal framework. Consequently, the Bench finds no illegality in the Respondent's conclusion that the Appellant violated Regulation 27(1)(d) of the AML Regulations.



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16. The Bench has also considered the Appellant's contention regarding the quantum of penalty. In this regard, the Bench notes that the Respondent exercised powers under Section 6A(2)(h) of the AML Act read with Rule 6(1) of the AML Rules and imposed an aggregate penalty of Rs.30,000/- despite establishment of multiple violations. The Bench observes that the applicable legal framework permits imposition of substantially higher penalties for violations of the AML Regulations. The Bench finds that the penalty imposed in the instant matter is already on the lower side and cannot by any stretch of imagination be regarded as excessive, arbitrary or disproportionate so as to warrant interference by this Bench. The Bench further holds that appellate jurisdiction with respect to quantum of penalty is to be exercised sparingly unless the impugned determination suffers from patent illegality, perversity or manifest unreasonableness, none whereof is attracted in the present case.
17. In view of the foregoing reasons, the Bench holds that the violations alleged against the Appellant were duly established on the basis of the material available on record and that the Respondent committed no illegality while passing the Impugned Order. Consequently, the instant Appeal, being devoid of merit, is hereby dismissed and the Impugned Order is upheld.
18. 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


(Zeeshan Rehman Khattak)
Commissioner

Announced on: **11 MAY 2026**