Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 34 of 2020

Askari General Insurance Company Limited

….. Appellant

Versus

Executive Director/HOD, Adjudication Department-I,
Securities and Exchange Commission of Pakistan (SECP)

….. Respondent

Date of Hearing: February 26, 2026

Present:

For the Appellant:

1. Mr. Rizwan Faiz Muhammad, Authorized Representative
2. Ms. Saliha Shah
3. Ms. Laiba Amjad

For the Respondent:

1. Mr. Sohail Qadri, Director/HOD, 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. 34 of 2020 filed by Askari General Insurance Company Limited (the "Appellant") against Order dated March 25, 2020 (the "Impugned Order"), passed by the Executive Director/HOD, Adjudication Department-I, SECP (the "Respondent") under the provisions of the Securities and Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "AML Regulations") read with

Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act").

2. The brief facts of the case are that the Appellant is registered under the Insurance Ordinance, 2000 (the "Ordinance") to carry on the business of non-life insurance in Pakistan. An on-site inspection (the "Inspection") of the Appellant was conducted by the SECPto assess compliance with the AML Regulations. The Inspection revealed various contraventions of the AML Regulations, *inter alia*, non-availability and improper verification of identification documents of certain customers and beneficial owners in violation of Regulation 6(3)(a), failure to undertake and document customer risk profiling as required under Regulation 6(8), deficiencies in reliance on third parties (banks), including non-obtaining and non-availability of CDD documentation and absence of confidentiality arrangements, contrary to Regulation 12(1)(a),(b) and (d), absence of comprehensive Board-approved AML/CFT policy and procedures in terms of Regulation 4(a), absence of effective and documented ongoing monitoring and screening mechanisms, including deficiencies relating to proscribed persons checks, in breach of Regulations 13(3) and 13(7), lack of proper STR/CTR reporting procedures under Regulations 14(1) and 14(2), inadequate AML/CFT training framework and insufficient documentation thereof in violation of Regulation 20(b) and failure of the Internal Audit Department to plan and/or conduct AML compliance audit during the year 2019 as required under Regulation 4(d), thereby reflecting systemic weaknesses in the Company's AML/CFT control environment. Consequently, a Show Cause Notice (the "SCN") dated November 26, 2019 was issued to the Appellant. After considering the written submissions filed by the Appellant and affording an opportunity of hearing on March 13, 2020, the Respondent, vide the Impugned Order, imposed a penalty of Rs. 600,000/- (Rupees Six Hundred Thousand only) upon the Appellant.

3. The Appellant preferred the instant appeal, *inter alia*, on the following grounds:

   i. The Inspection Order was issued under Section 59A of the Ordinance, whereas the alleged violations pertained to the AML/CFT Regulations, framed under the SECP Act, 1997, thereby rendering the inspection proceedings, SCN and the Impugned Order *ultra vires* and without lawful authority.

   ii. The mandatory two-week prior written notice under Section 59A(5) of the Ordinance was not complied with as the Inspection Order was sent to the Appellant on October 30, 2019 and the Inspection commenced on November 04, 2019, thereby providing only

five days' notice without invocation of any statutory exception, causing prejudice and vitiating the proceedings.

iii. A Board approved AML/CFT Policy on March 13, 2019, along with Standard Operating Procedures and a detailed process design document, was in force prior to the Inspection, negating the finding of non-compliance under Regulation 4(a) of the AML Regulations, as it proves the existence, not the absence, of AML/CFT framework. The AML/CFT Policy was subsequently updated and approved by the Board on December 19, 2019 as a compliance improvement step.

iv. The Internal Audit Plan for 2019 expressly referred to auditing/ensuring compliance with Standard Operating Procedures including AML/CFT Policy and Procedures and Regulation 4(d) of the AML Regulations did not mandate a separate or specialized standalone AML audit beyond the approved audit framework.

v. That identification documents and NADRA *Verisys* confirmations were furnished within three days of the Inspection to the inspection team in compliance of Regulation 6(3) of the AML Regulations. Further, the AML Regulations do not require retention of printed *Verisys* confirmation pages, rendering the adverse finding unsustainable.

vi. A comprehensive twelve-factor risk profiling mechanism was implemented to ensure compliance with Regulation 6(8) of the AML Regulations and thirty-two completed Risk Profiling Forms were submitted with the reply to the SCN but were not duly considered, thereby invalidating the finding of non-compliance.

vii. The receipt of customer referrals from banks did not constitute "third-party reliance" within the meaning of Regulation 12 of the AML Regulations, as the Appellant maintained its own independent CDD and KYC protocols and had no outsourcing arrangement with any bank.

viii. The ongoing monitoring requirements were misconstrued in light of the annual renewal model of non-life insurance, systematic re-verification of customer information, and regular screening against proscribed lists. Further, Regulation 13(3) of the AML Regulations imposes a requirement for ongoing monitoring but. does not prescribe any minimum frequency.

ix. Regulation 20(b) requires development of AML/CFT training programmes for relevant employees on an annual basis. The Appellant conducted four AML/CFT training sessions and five SECP-organized AML/CFT training sessions were attended by the Appellants employees in 2018-19.

x. The National Risk Assessment 2019, classifying non-life insurance as a low AML/CFT risk sector, permits application of a calibrated risk-based approach to AML/CFT

controls under Regulation 11(1) of the AML Regulations and contemplate that regulated entities in lower-risk sectors may apply simplified duediligence.

xi. The Respondent failed to expressly exonerate the Appellant on matters where documentary evidence established compliance, thereby violating settled principles of fair adjudication.

xii. The imposition of penalty of Rs. 600,000/- was arbitrary, disproportionate, inconsistent with comparable enforcement precedents, and imposed without reasoned calibration or consideration of less restrictive alternatives,

xiii. The Appellant prayed for setting aside of the Impugned Order.

4. In response to the Appellant submissions, the Respondent, *inter alia*, submitted that:

i. The Appellant's jurisdictional objections are not maintainable as the Inspection proceedings were lawfully initiated under Section 59A of the Ordinance and culminated in adjudication strictly in accordance with delegated authority and due process of law, without any illegality or procedural impropriety.

ii. The adjudication proceedings were based on the SCN rather than inspection. The Appellant was afforded full opportunity of hearing and submission of documentary evidence during the adjudication process, therefore, any alleged defect relating to the inspection notice did not vitiate the Impugned Order.

iii. The Appellant's revised AML/CFT Policy and procedures was approved by its Board of Directors only on December 31, 2019, subsequent to the observations raised in the SCN dated November 26, 2019 and prior to that the Appellant lacked a comprehensive Policy and procedures relating to customer due diligence, risk categorization, enhanced due diligence, identification of high-net-worth individuals, and suspicious transaction reporting, thereby constituting violations of Regulation 4(a) of the AML Regulations. Further, prior to amendments approved on December 31, 2019, the Appellant Policy and procedures were not aimed at ongoing monitoring of customer relationships, including periodic review of customer information and necessary screening measures, resulting in violations of Regulations 13(3) and 13(7) of the AML Regulations.

iv. The Internal Audit Department neither planned nor conducted any audit during 2019 to test compliance of AML/CFT policies, systems, and controls and such omission established non-compliance with Regulation 4(d) of the AML Regulations.

v. The Appellant failed to obtain copies of CNICs and other identification documents of customers and beneficial owners in the sample cases examined during inspection and

subsequent furnishing of the documents did not absolve the Appellant from penal consequences arising from non-compliance at the time of inspection.

vi. The Appellant failed to undertake mandatory risk profiling of customers in the cases examined by the inspection team which constituted a clear breach of Regulation 6(8) of the AML Regulations, irrespective of later submissions made during adjudication proceedings.

vii. While making reliance on banks, the Appellant failed to obtain requisite CDD documentation, did not ensure availability of such documentation without delay upon request and had no agreement in place to ensure confidentiality of customer information, thereby violating Regulations 12(1)(a), 12(1)(b), and 12(1)(d) of the AML Regulations.

viii. The Appellant's AML Policy did not sufficiently address the structure, frequency, or assessment methodology of AML/CFT trainings, nor was adequate documentary evidence of training materials and effectiveness provided to the inspection team, thereby constituting violations of Regulations 4(a) and 20(b) of the AML Regulations.

ix. The reliance on the National Risk Assessment 2019 was misplaced, as sectoral vulnerability classification does not dispense with the mandatory requirement of individual customer risk profiling under the AML Regulations.

x. The Impugned Order is a speaking and reasoned order, passed after due consideration of the Appellant's written and oral submissions, material available on record, and applicable provisions of the AML Regulations. Further, the penalty imposed was determined on the basis of the nature and gravity of violations established and the adjudication proceedings were conducted in compliance with law, therefore, the Appeal is liable to be dismissed and the Impugned Order upheld.

5. The Appellate Bench (the "Bench") has heard both parties at length and carefully examined the record. At the outset, the Bench notes that the Appellant, being a licensed non-life insurance company is under a continuing and non-derogable statutory obligation to comply with the AML Regulations and that such compliance is central to safeguarding the integrity of the financial system. The AML/CFT framework is preventive and risk-based in nature and regulatory intervention is not contingent upon proof of actual money laundering or terrorist financing; rather, it is triggered by weaknesses in systems, controls, governance, or documentation that may expose the financial system to abuse

6. The Bench observes that although there is an apparent procedural infirmity in the issuance of the notice of inspection, inasmuch as the statutory notice period was not strictly complied with, the same does not, in the facts and circumstances of the present case, vitiate the adjudication proceedings as a fair and adequate opportunity of hearing was afforded to the Appellant. Nevertheless, the Respondent is directed to ensure strict compliance with the mandate of section 59A(5) of the Ordinance in future so that the statutory requirement is observed in letter and spirit. While the Appellant has raised arguable legal contentions regarding the inspection process, the Bench is not persuaded that any such alleged procedural irregularity has occasioned a failure of justice so as to vitiate the entire proceedings, particularly when the adjudication was independently conducted on the basis of material on record and after due process.

7. On merits, the Bench notes that deficiencies relating to identification documentation, risk profiling, third-party reliance arrangements, ongoing monitoring mechanisms, internal audit oversight, and AML/CFT training were observed by the inspection team and formed the basis of the SCN. The Appellant has placed reliance upon its Board-approved AML/CFT Policy dated March 13, 2019, internal audit plan, risk profiling forms, and subsequent enhancements. The Bench is of the considered view that updation of the AML/CFT policy and procedures and subsequent improvements demonstrates an evolving compliance framework, however, the record indicates that at the time of inspection, implementation gaps and documentation shortcomings existed in certain sampled cases. Subsequent remedial measures, though commendable, do not retrospectively extinguish contraventions that stood established at the relevant time.

8. The Bench is, however, mindful that enforcement under the AML/CFT regime must remain proportionate, risk-sensitive, and calibrated. The Appellant operates in the non-life insurance sector, which, as per the National Risk Assessment 2019, is assessed at a comparatively lower vulnerability level from an AML/CFT perspective. There is no material on record to suggest deliberate concealment, repeated defiance of regulatory directions, or any instance of misuse of the financial system. The Appellant cooperated during the inspection, furnished additional documentation, and undertook policy revisions and governance enhancements within a relatively short span of time. These mitigating factors bear directly upon the determination of penalty.

9. The Bench reiterates that the objective of AML/CFT regulatory enforcement is not merely punitive but corrective and deterrent. A balanced approach, consistent with principles of

proportionality and fairness, requires that regulatory actions correspond to the nature and gravity of violations, the risk posed to the financial system, and the overall conduct of the regulated entity. In the present case, while the findings of non-compliance cannot be entirely set aside, the Bench is persuaded that the ends of justice would be adequately served by taking a lenient view in the quantum of penalty, particularly in light of the Appellant's subsequent compliance efforts and absence of aggravating circumstances.

10. In view of the foregoing, the Impugned Order is modified to the extent that the total penalty imposed upon the Appellant is reduced from Rs. 600,000/- (Rupees Six Hundred Thousand only) to Rs. 300,000/- (Rupees Three Hundred Thousand only).

11. 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 Securities and Exchange Commission of Pakistan Act, 1997, before the competent forum, strictly in accordance with law. Accordingly, the Appeal stands disposed of in the above terms with no order as to costs.

(Zeeshan Rehman Khattak)
Commissioner

(Imtiaz Haider)
Commissioner

Announced on: 06 MAR 2026