



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

Appeal No. 58 of 2020

In the matter of

EFU Life Assurance Limited

...Appellant

vs.

Executive Director-Adjudication-I, SECP

...Respondent

Date of hearing:

April 16, 2025

Present:

For the Appellant:

1. Mr. Hassan Jivani
2. Mr. Arshad Iqbal

For the Respondent:

1. Mr. Sohail Qadri, Director/HOD Adjudication-I, SECP
2. Mr. Shafique-ur-Rehman, Additional Joint Director, Adjudication-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 58 of 2020 filed by EFU Life Assurance Limited (the "Appellant") against the Order dated March 6, 2020 (the "Impugned Order") passed by the Executive Director-Adjudication-I, Securities and Exchange Commission of Pakistan (the "Respondent") under Regulation 4(a), Regulation 6(3)(a), Regulation 9(4)(c), and Regulation 20(b) of the Securities and Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "Regulations"), read with Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "Act").
2. The Appellant is a life insurance company licensed and operating in Pakistan under the Insurance Ordinance, 2000. An Inspection (the "Inspection") of the Appellant's operations was conducted by the Respondent to assess compliance with the applicable AML/CFT framework as provided in the Regulations. Based on the findings of the Inspection, a Show Cause Notice (the "SCN") was issued on November 26, 2019, citing various instances of non-compliance. After considering the Appellant's



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response, the Respondent passed the Impugned Order dated March 6, 2020, imposing a penalty of Rs. 500,000/- on the Appellant.

3. The Appellant challenged the Impugned Order on several grounds. Firstly, the Appellant contended that the SCN's allegations regarding the absence of forward and backward linkage checks were unfounded, as no such express requirement exists under the current AML/CFT Regulations. The Appellant further asserted that its internal policy and customer due diligence procedures were previously reviewed and found compliant during an earlier inspection, and there had been no regulatory change requiring additional measures since then.
4. The Appellant further contested the finding regarding the failure to obtain client declarations about their connections with proscribed individuals and argued that there is no explicit obligation under the Regulations to collect such statements. The Appellant submitted that, for 'high-risk' clients, enhanced due diligence procedures are already in place and are aligned with regulatory expectations, which should sufficiently address any related risks.
5. With respect to training and documentation, the Appellant submitted that it had conducted AML/CFT training sessions in accordance with prevailing guidelines, and that no specific provision mandates inclusion of topics such as beneficial ownership or forward/backward linkages in training modules. The Appellant argued that being penalized for failing to include unspecified content goes beyond the scope of the current Regulations.
6. Lastly, the Appellant submitted that its decision to allocate AML/CFT responsibilities across multiple departments and assign dual roles to compliance personnel does not constitute non-compliance, as no provision in the Regulations prohibits such an approach. The Appellant emphasized that any procedural weaknesses identified were pre-existing prior to the promulgation of the Regulations and, therefore, could not reasonably form the basis for retrospective penal action. In view of the foregoing, the Appellant respectfully requested the Bench to set aside the Impugned Order in its entirety and to reconsider the imposition of the penalty in light of the grounds advanced in the appeal.
7. The Respondent, in its rebuttal, maintained that the Appellant's AML/CFT framework exhibited significant deficiencies, particularly concerning the identification and verification of beneficial ownership, and the failure to establish effective mechanisms for identifying forward and backward linkages. The Respondent contended that these shortcomings violated the obligations set out in Regulation 4(a) and Regulation 6(3)(a) of the Regulations.
8. On the issue of client declarations and enhanced due diligence, the Respondent contended that the Appellant's failure to obtain explicit client statements, coupled with inadequate documentation to verify beneficial ownership, amounted to a violation of Regulation 9(4)(c) of the Regulations. The Respondent argued that these deficiencies undermined the effectiveness of the Appellant's 'high-risk' client



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assessment and review processes. With regard to the training requirements, the Respondent asserted that the Appellant's AML/CFT training program was deficient, as it did not cover essential topics such as the identification of beneficial ownership and the evaluation of risk linkages, both of which are critical to a robust compliance framework. The Respondent maintained that such omissions constituted non-compliance with Regulation 20(b) of the Regulations. The Respondent further submitted that the Appellant's decentralized compliance structure and overlapping responsibilities undermined the effectiveness of AML/CFT oversight and the ongoing and systemic nature of the non-compliances, irrespective of their origin date, warranted enforcement action, and hence in light of the foregoing, the penalty imposed was proportionate to the violations observed.

9. After considering the submissions of both parties, the Bench observes that a framework for risk-based assessment of clients is important to identify 'high-risk' customers. The Appellant's policy framework lacked adequate risk assessment mechanisms thereby falling short of the expectations under Regulations 4(a) and 6(3)(a).
10. The Bench further notes that Regulation 9(4)(c) requires enhanced scrutiny and verification measures for high-risk clients. In this context, the Appellant's failure to implement sufficiently documented verification procedures, including beneficial ownership checks, constitutes a compliance gap that was rightly identified during the Inspection.
11. As regards the AML/CFT training obligations under Regulation 20(b), the Bench is of the view that it is incumbent upon regulated entities to ensure that key risk areas such as beneficial ownership are adequately addressed in training content. The absence of these elements reflects a weakness in the Appellant's AML/CFT training program.
12. Nevertheless, the Bench also acknowledges that the Appellant had demonstrated cooperation during the Inspection and enforcement process and has expressed the commitment to further improve its customer due diligence processes.
13. Accordingly, the Bench finds it just and appropriate to reduce the penalty imposed on the Appellant to Rs. 400,000 with no order as to costs.

(Abdul Rehman Warraich)

Commissioner

(Mujtaba Ahmad Lodhi)

Commissioner

Announced on:

05 JUN 2025