



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 6 of 2023

EFU Life Assurance Limited

Versus

...Appellant

HOD/Director (Adjudication-I)

...Respondent

Date of hearing:

May 29, 2025

Present:

For the Appellants:

1. Mr. Azeem Pirani (Chief Operations Officer)
2. Mr. Arshad Iqbal (GM Operations)
3. Mr. Sajjad Hussain (AGM Legal)
4. Mr. Mohammad Hassan (Company Secretary)
5. Ms. Reema Shaikh (Manager Compliance)

For the Respondent:

1. Mr. Mubasher Saeed Saddozai, Executive Director, Adjudication Division
2. Ms. Asima Wajid, Additional Joint Director, Adjudication Department -I

ORDER

1. This Order shall dispose of Appeal No. 6 of 2023 filed by EFU Life Assurance Limited (the "Appellant") against the Order dated November 2, 2022 (the "Impugned Order") passed by the Director (Adjudication-I)/ Head of Wing (Licensed Entities), Securities and Exchange Commission of Pakistan (the "Respondent") under the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 (the "AML Regulations"), Clause C of SRO. 920(I)/2020 dated September 28, 2020 (the



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SRO) read with AML/CFT Sanctions Rules 2020 (the AML Rules) and Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (the AML Act).

2. The brief facts of the case are that the Appellant is a licensed life insurer under the Insurance Ordinance, 2000. An onsite inspection (the "Inspection") of the Appellant's operations was conducted by the Securities and Exchange Commission of Pakistan (the "SECP") to assess compliance with the requirements of the AML Regulations, the AML Act, the AML Rules, and the SRO. The Inspection revealed various contraventions of the AML/CFT framework, including the Appellant's failure to timely detect and screen a proscribed individual, Mr. Abid Hussain Memon, whose name was included in NACTA's list on June 1, 2021. The said individual continued to hold an active policy until July 15, 2021, when the Appellant belatedly conducted screening during the Inspection. Although an STR was submitted to the Financial Monitoring Unit (FMU) on July 29, 2021, the Appellant failed to simultaneously notify the SECP as required under SRO. Additional findings included the absence of a complete database for screening key persons of corporate clients, deficiencies in Customer Due Diligence (CDD) processes such as failure to verify the identity of legal persons and their beneficial owners using reliable documentation, and lack of evidence of Enhanced Due Diligence (EDD) in 'high-risk' cases. The Appellant also failed to perform screening on beneficiaries prior to claims disbursement. These lapses constituted apparent violations of Regulations 9 to 13 and 31 and Annex I of the AML Regulations, Rule 4(1)(a) of the AML Rules, and Section 6A(2)(h) of the AML Act. In view of the violations observed during the Inspection, the Respondent issued a Show-Cause Notice dated July 5, 2022 (the SCN) to the Appellant and hearing in the matter was held on August 31, 2022. After considering the Appellant's written submissions and oral representations, the Respondent concluded that multiple regulatory breaches had occurred. Consequently, a monetary penalty of Rs. 1,313,000/- (Rupees one million three hundred thirteen thousand only) was imposed on the Appellant, along with a directive to ensure strict compliance with all applicable AML/CFT obligations in the future.
3. The Appellant filed the present appeal before the Appellate Bench (the "Bench"), *inter alia*, on the grounds that the Impugned Order passed by the Respondent is legally flawed and based on a gross misreading of both facts and law. The Appellant challenged the finding of the



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Inspection mentioned in paragraphs 4 and 5 of the Impugned Order, wherein it has been alleged that the Appellant was in violation of Regulations 25(1) and 25(2) of the AML Regulations and Clause C of the SRO. The Appellant submitted that the policy of the proscribed individual was frozen on 15.07.2021, prior to any notification being received from the Respondent. The Appellant further submitted that no record exists of the notification dated June 1, 2021, being communicated to it, and thus it could not have reasonably acted on such information. The Appellant also emphasized that it reported STRs to the FMU and regularly submitted quarterly and annual STR reports to the SECP, thereby fully complying with Regulation 25(1)(c) of the AML Regulations.

4. The Appellant further contested the findings in paragraphs 6 and 7 of the Impugned Order, wherein the Respondent alleged non-compliance with Regulations 25(1)(a) and 26(3) of the AML Regulations. The Appellant submitted that it has a comprehensive screening mechanism in place for all customers and their associates and provided relevant documentation during the Inspection. The Appellant highlighted that the Respondent failed to specify which additional documentation was required under the law. Moreover, with respect to Regulation 26(3) of the AML Regulations, the Appellant submitted that the Respondent failed to read the Regulation in conjunction with Regulation 15 of the AML Regulations, which clearly provides that the verification of beneficiary identity is to be done at the time of payout. The Appellant maintained that no payout was made to any unverified or proscribed beneficiary.
5. The Appellant also challenged the findings in paragraphs 8(i) and (ii) of the Impugned Order, where the Respondent alleged inadequate KYC/CDD and screening of customers under Regulations 9(b), 10, 11, 12(1), 13, and Annexure I of the AML Regulations. The Appellant contended that all eight policies cited were group life policies, which are classified as 'low-risk' under the AML Regulations and the National Risk Assessments of 2017 and 2019. Nonetheless, the Appellant submitted that all requisite AML/CFT documentation was obtained, and the Respondent failed to identify any particular document that was not provided or was lacking.
6. The Appellant specifically disputed the allegation mentioned in paragraph 8(ii) of the Impugned Order concerning Policy No. T100065564, where it was alleged that the Appellant



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failed to conduct Enhanced Due Diligence (EDD). The Appellant asserted that it had conducted a thorough EDD, including obtaining the financial documents of the premium payer. The Appellant submitted that it ensured strict compliance with Regulation 21(2)(c) of the AML Regulations and that the conclusion reached by the Respondent was based on a misreading of the facts and the documentation provided.

7. The Appellant also contested the finding in paragraph 8(iii) of the Impugned Order that alleged insufficient KYC in violation of Regulation 13(1)(a) and Clause 6 of Annexure I of the AML Regulations. The Appellant submitted that Policy No. 002686 was a group life policy and, therefore, categorized as 'low-risk'. While the relevant KYC documents were available at the time of the Inspection, the inspection team failed to review them. The Appellant had attached these documents to its response to the Show Cause Notice (SCN) and has also provided them in the instant Appeal.
8. The Appellant further submitted that the penalty imposed pursuant to paragraph 10 of the Impugned Order was without lawful justification. The Respondent invoked Regulation 31 of the AML Regulations, Rule 4(1)(a) of the AML Rules, and Section 6A(2)(h) of the AML Act without identifying a single substantiated or material violation. The Appellant argued that the Respondent grossly misapplied these provisions and failed to establish any grounds that would justify such a penalty under the law.
9. The Appellant maintained that it had complied with Regulation 25 of the AML Regulations in both substance and form, including screening mechanisms and reporting requirements. The Appellant submitted that the Respondent's interpretation of Regulation 25(1)(c) of the AML Regulations was flawed and inconsistent with the language of the Regulation, which requires notification "in the manner as may be instructed" by the SECP. The Appellant stated that no alternate manner was ever communicated, and it remained compliant by reporting STRs as prescribed.
10. The Appellant respectfully submitted that the Impugned Order was issued without taking into account the facts of the case, and appears to have been issued in a mechanical manner with a pre-determined notion and that the Respondent failed to establish any clear incident of



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material non-compliance, and hence, the penalty was imposed without proper consideration of the Appellant's explanations and documents on record and prayed that the Bench set aside the Impugned Order in its entirety.

11. The Respondent refuted the Appellant's assertions and submitted that the Impugned Order is a speaking order, passed after providing the Appellant with a fair opportunity of hearing and duly considering all the submissions made, the facts of the case, the material available on record, and the applicable AML/CFT legal framework. With respect to the allegations in paragraphs 4 and 5 of the Impugned Order regarding the violation of Regulations 25(1) and 25(2) of the AML Regulations and Clause C of SRO, the Respondent contended that despite the proscribed individual being notified by NACTA on June 1, 2021, the Appellant failed to timely detect and freeze the relevant policy. The individual was only identified during the Inspection on July 15, 2021, when their status still appeared as "Active." Although an STR was later filed with FMU on July 29, 2021, the Respondent contended that the Appellant failed to notify the SECP simultaneously, as required under Clause C of SRO. Therefore, the Respondent submitted that the Appellant failed to comply with all three required obligations, warranting the finding of non-compliance.
12. The Respondent further submitted that the Appellant's database did not include critical details such as the names and CNICs of directors, major shareholders, and authorized signatories of corporate clients and that the absence of this data undermined the integrity of any screening mechanism in place, as it renders the system incapable of reliably detecting matches or potential matches with proscribed persons or their associates. Therefore, he submitted that the Appellant failed to comply with Regulations 25(1)(a) and 26(3) of the AML Regulations, which mandate comprehensive screening procedures, and the violation was rightly observed and included in the Impugned Order.
13. With respect to the findings in paragraph 8(i) of the Impugned Order concerning the KYC/CDD documentation of eight customers, the Respondent reiterated that the Appellant failed to verify the identities of corporate customers, authorized agents, and beneficial owners using independent and reliable documents as prescribed under Regulations 9(b), 10, and 11 and Annex I of the AML Regulations. The Respondent maintained that any subsequent



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compliance did not nullify the original violation and does not exempt the Appellant from the consequences under the law and so, the non-compliance was rightly identified.

14. Regarding the issue in paragraph 8(ii) of the Impugned Order related to Policy No. T100065564, the Respondent submitted that the Appellant failed to conduct EDD in line with the requirements under Regulation 21(2)(c) of the AML Regulations and the Appellant did not sufficiently substantiate the source of funds of the premium payer, the materials provided were not adequate to meet the standards of EDD for higher-risk customers. Hence, the violation was properly established based on the record and law.
15. In relation to paragraph 8(iii) of the Impugned Order, the Respondent maintained that Policy No. 002686, although a group life policy, still required KYC in accordance with Regulation 13(1)(a) and Clause 6 of Annexure I of the AML Regulations. The KYC documents were not available or provided at the time of the Inspection. While the Appellant may have furnished them later, the deficiency during the Inspection period constituted non-compliance. Therefore, he submitted that the finding was valid and lawful.
16. The Respondent submitted that the penalty imposed under the Impugned Order is lawful, proportionate, and based on a thorough review of the facts, legal provisions, and the Appellant's submissions. The violations attracted the application of Regulation 31 of the AML Regulations, Rule 4(1)(a) of the AML Rules, and Section 6A(2)(h) of the AML Act. The Appellant's failure to notify the Commission of the STR filed with the FMU, as required under Clause C of SRO, constitutes a clear non-compliance, and reliance on Regulation 25(1)(c) of the AML Regulations is misplaced, as simultaneous reporting was mandatory. The Respondent strongly refutes the suggestion of any bias or pre-determined approach in passing the Impugned Order, which was issued after due process, careful consideration of the inspection findings, and evaluation of all relevant material. In light of the above, the Respondent requests that the Appellate Bench uphold the Impugned Order and dismiss the appeal.
17. After carefully considering the case, the Bench acknowledges the Respondent's position that the procedural actions taken during the Inspection and the issuance of the Impugned Order



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were in accordance with applicable legal and regulatory requirements. The Bench also recognizes that the Appellant did not fully comply with the AML Regulations; however, it extended cooperation during the Inspection process and responded to the SCN with supporting documentation and explanations, albeit belatedly.

18. The Bench further notes that while several violations were substantiated, the Appellant made corrective efforts during and after the Inspection, particularly in relation to CDD, KYC documentation, and EDD measures. Though these steps did not entirely negate the regulatory breaches, they demonstrated the Appellant's intent to improve compliance. Moreover, some of the deficiencies, such as incomplete historical data or untimely notifications, were procedural lapses rather than willful violations.
19. In light of the above, the Bench concludes that while a penalty is warranted due to deficiencies in regulatory compliance, the originally imposed penalty of Rs. 1,313,000/- is disproportionate in the circumstances. Taking into account the mitigating factors and the Appellant's subsequent remedial actions, the Bench finds it just and reasonable to reduce the penalty to Rs. 500,000.
20. Consequently, the Appeal is partly allowed to the extent of a reduction in penalty, and the Impugned Order is upheld as modified. There shall be no order as to costs.

(Abdul Rehman Warraich)

Commissioner

(Muzaffar Ahmed Mirza)

Commissioner

Announced on

02 JUL 2025