



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter or

Appeal No. 84 of 2024

Pak Qatar Family Takaful Limited

..... Appellant

Versus

Director/HOD, Adjudication - I

..... Respondent

Date of Hearing:

August 06, 2025

Present:

For the Appellant:

1. Mr. Atir Aqeel Ansari, Authorized Representative through Zoom
2. Mr. Muhammad Ajmal Khan through Zoom
3. Mr. Faraz Hussain through Zoom

For the Respondent:

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

ORDER

1. This Order shall dispose of Appeal No. 84 of 2024 filed by Pak Qatar Family Takaful Limited (the "Appellant"), against order dated October 11, 2024 (the "Impugned Order"), passed by Director/HOD, Adjudication-I, SECP (the "Respondent"), under Section 156 of the Insurance Ordinance, 2000 (the "Ordinance"), read with Section 11(1)(c), 32(2)(g), 35(3), 35(4) of the Ordinance and Rules 14(3) and 14(4) of the Insurance Rules, 2017 (the "Rules").
2. Brief facts of the case are that during the examination of the Appellant's annual audited accounts and regulatory returns for the year ended December 31, 2022, it was observed that the Appellant had failed to meet the solvency requirements prescribed under Sections 35(3) and 35(4) read with Section 11(1)(c) of the Ordinance, and Rules 14(3) and 14(4) of the Rules. Review of the Statement of Solvency for the Financial Year 2022 revealed that the Appellant



Securities and Exchange Commission of Pakistan

had taken investments in related parties as 'admissible assets' amounting to Rs. 4.286 billion, comprising of:

- (i) Investment in shares of Pak-Qatar Asset Management Limited from the Shareholders' Fund amounting to Rs. 21.0 million;
- (ii) Investment in Pak-Qatar Cash Plan from the Shareholders' Fund amounting to Rs. 66.772 million; and
- (iii) Investment in funds of Pak-Qatar Asset Management Company from the Individual Family Takaful Fund amounting to Rs. 4,198.43 million.

Since these investments were apparently made in related parties under common control in terms of Section 32(7) of the Ordinance, balances with such related parties, were inadmissible pursuant to Section 32(2)(g) of the Ordinance. If these inadmissible asset balances are excluded, the excess of net admissible assets over the minimum solvency requirement would be reduced by an equivalent amount of Rs. 4.286 billion, resulting in the Appellant being insolvent by Rs. 3.184 billion on an aggregate basis as on December 31, 2022. The solvency position, as worked out by the Respondent, reflected net admissible assets of Rs. 1,072,235,649/- in the *Shareholders' Fund*, Rs. 24,093,740,082/- in the *Individual Family Takaful Fund*, Rs. 274,305,462/- in the *Group Family Takaful Fund*, and Rs. 580,107,963/- in the *Group Health Takaful Fund*, against the prescribed solvency margins and policyholder liabilities, resulting in a solvency deficit of Rs. 3,184,899,578/- on an aggregate basis. Consequently, a Show-Cause Notice dated April 23, 2024 (the "SCN") was issued to the Appellant.

3. Hearing in the matter was held on June 11, 2024, during the hearing, the authorized representative was advised to submit the reasons for alleged non-compliances as narrated in the SCN. Subsequently, the Appellant, vide letter dated June 26, 2024, submitted its written submissions in reply to the SCN. After considering the written and verbal submissions, the Respondent held that the said investments were inadmissible for solvency purposes under Section 32(2)(g) of the Ordinance, and that the amendments to the Unit Linked Product and Fund Rules, 2015 ("Unit Linked Rules") did not alter admissibility requirements. Accordingly, the Respondent imposed a penalty of Rs. 350,000/- (Rupees Three Hundred Fifty Thousand only) on the Appellant under Section 156 of the Ordinance.
4. The Appellant has preferred the instant appeal on the following grounds *inter-alia*, that under Section 35(3) of the Ordinance, the Appellant is required to maintain a surplus of admissible



Securities and Exchange Commission of Pakistan

assets over liabilities in Pakistan, other than policyholders' liabilities, equal to or greater than the amount of policyholders' liabilities. The Appellant stated that the SCN was based on the assumption that its investments in mutual funds of Pak-Qatar Asset Management Company Limited were investments in a related party. It was argued that Pak-Qatar Asset Management Company Limited holds 0% shareholding in the Appellant company, and the Appellant itself holds only 5% shareholding in Pak-Qatar Asset Management Company Limited. The Appellant also stated that the Board of Pak-Qatar Asset Management Company Limited comprises of five directors, of which only four namely, Mr. Said Gul, Mr. Muhammad Owais Ansari, Mr. Muhammad Kamran Saleem and Ms. Sameera Said are in common directorship with the Appellant company. It was contended that these four directors do not constitute a majority on the Board of the Appellant, which comprises of nine directors. Therefore, the two entities are not under common control and do not meet the definition of "related parties" under Section 32(7) of the Ordinance.

5. The Appellant further submitted that even if Pak-Qatar Asset Management Company Limited were considered a related party, investments in its mutual funds could not be treated as investments in the asset management company itself, as mutual funds are independent entities managed by a trustee under Regulation 43 of the NBFC and Notified Entities Regulations, 2008. The Appellant relied on the Unit Linked Rules, particularly Rule 10, as constituting permission from the Securities and Exchange Commission of Pakistan (the "Commission") under Section 32(1)(d) of the Ordinance, and argued that any contrary interpretation would render the Unit Linked Rules redundant for Participants' Investment Funds. It was also contended that the Respondent failed to consider the Commission's Insurance Division's letter dated May 13, 2024, which confirmed that the Appellant's investment strategy was not unlawful. The Appellant disputed the solvency working, arguing that the solvency margin was wrongly added to policyholders' liabilities. In conclusion, the Appellant prayed for setting aside of the Impugned Order.
6. In response to the submissions of the Appellant, the Respondent, *inter alia*, submitted that the Appellant had made investments in related parties under common control, which, pursuant to Section 32(2)(g) of the Ordinance, are inadmissible assets for solvency purposes. It was further asserted that the provisions of Section 32(2)(g) do not distinguish between investments made directly in a related party and those made in mutual funds managed by such a related party, hence, the Appellant's investments in shares of Pak-Qatar Asset Management Company Limited as well as in mutual funds managed by Pak-Qatar Asset Management Company Limited were inadmissible.



Securities and Exchange Commission of Pakistan

7. The Respondent further submitted that the Appellant's reliance on amendments to the Unit Linked Rules, introduced via SRO 1014(I)/2022 dated July 05, 2022, was misplaced, as these amendments only related to the categorization of unit-linked funds, investment parameters, and exposure limits, and did not prescribe admissibility of assets or constitute a declaration under Section 32(1)(d) of the Ordinance. It was stated that the Insurance Division's letter dated May 13, 2024 was inapplicable to the present case as it took effect from March 31, 2024 and did not cover the default period of Financial Year 2022. The Respondent also contended that the solvency working was in accordance with Sections 35(3) and 35(4) of the Ordinance read with Rules 14(3) and 14(4) of the Rules, which require a life insurer to maintain admissible assets in excess of liabilities, other than policyholders' liabilities, equal to or greater than policyholders' liabilities plus a solvency margin calculated under Annexure III of the Rules. It was submitted that the Impugned Order was passed after providing the Appellant, ample opportunity for written submissions and personal hearing, and that the order is a self-explanatory, well-reasoned, and speaking order establishing the defaults in light of applicable law.
8. The Appellate Bench (the "Bench") has heard the arguments of both the parties and perused the record. The Bench considers it pertinent to first elucidate the concept of an Asset Management Company ("AMC") and a Mutual Fund, and the distinction between them recognized under the governing statutory and regulatory framework. The Bench observes that an AMC is a licensed non-banking finance company licensed by the Commission to manage collective investment schemes, including mutual funds, in accordance with the NBFC and Notified Entities Regulations, 2008. The AMC is a distinct legal entity, incorporated as a company, whose function is to manage investments on behalf of unit-holders in return for a management fee. By contrast, a Mutual Fund or Collective Investment Scheme ("CIS") is a separate pooled investment vehicle constituted under a trust deed and offering document for the sole benefit of its unit-holders, with its assets held by an independent trustee. While the AMC acts as the investment manager of the fund, it does not own the assets of the fund, nor is the fund a subsidiary of the AMC. The legal personality, ownership structure, and regulatory framework treat them as separate for all practical and legal purposes.
9. The Bench holds that this structural and regulatory separation is not merely symbolic but a substantive legal distinction recognized under the NBFC and Notified Entities Regulations, 2008. The Bench is of the view that an investment in the units of a mutual fund is, in law, an investment in that fund, and not in the AMC managing it. Accordingly, the treatment of all investments in funds managed by an AMC as direct investments in the AMC itself is inconsistent with established statutory and regulatory frameworks and is, therefore, legally untenable.



Securities and Exchange Commission of Pakistan

10. Furthermore, the Securities and Exchange Commission of Pakistan (the "Commission") has issued clarification through Circular No. 17 of 2024 dated October 08, 2024, whereby investments in mutual funds were declared admissible for the purpose of solvency to the extent as prescribed under Rule 12 of the Rules read with Section 32(2)(g) of the Ordinance and Rule 8(10)(b) of the Unit Linked Rules. Since the investment of assets by the Appellant in mutual funds is well within the threshold as prescribed by the Rules, such assets are admissible for the purpose of solvency.
11. In view of the foregoing, the Instant Appeal is allowed and the Penalty imposed by the Respondent is annulled.

(Abdul Rehman Warraich)
Commissioner

(Zeeshan Rehman Khattak)
Commissioner

Announced on:

19 SEP 2025