



Statutory Notifications (S.R.O)

Part II

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, 11 - 1 - 2012

S.R.O. (1/2012) - In exercise of the powers conferred under Section 40B read with clause (u) of subsection (4) of section 20 and clauses (fa) and (g) of subsection (6) of section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan issues the following directive.

1. This directive is issued to all insurers registered under the Insurance Ordinance, 2000.
2. Every insurer shall develop detailed procedures to counter the potential threat of usage of their services for money laundering.
3. **Internal procedure and control**

Internal procedure, policies and controls shall be developed by the insurer to determine the true identity of all existing policy holders and customers/ potential policy holders and compliance of other anti-money laundering obligations. Following internal procedures, policies and controls shall be developed by the insurers:

- (i) Customer Due Diligence/Know Your Customer policy which shall *inter alia* include procedures for identifying customers/ policy holders, risk profiling of the customers/ policy holders, procedures for obtaining minimum information/ set of documents given in Annexure-I, from various types of policy holders for examination and verification at the time of issuance of the insurance policy;
- (ii) guidelines for conducting Enhanced Customer Due Diligence depending upon the customers/ policy holders' background, country of origin, public or high profile position, nature of business, etc., to ascertain the identity of the beneficiary of the policy with respect to the source of funds used for soliciting the policy, establishing and/or maintaining relationships with approval of senior management and regular monitoring of source of funds of the customer/policy holder, etc.;
- (iii) policy and program for training for its employees regarding compliance of this directive and other anti-money laundering obligations; and

- (iv) internal procedure to ensure compliance of this directive and procedures for audit of compliance of this directive and other anti-money laundering obligations.

4. Risk profiling

Every insurer shall classify the customers/ policy holders into high risk and low risk categories, based on the customer/ policy holder's profile and product profile. Insurer shall ensure implementation of guidelines for conducting Enhanced Customer Due Diligence when dealing with high-risk customers/ policy holders, business relationship or transactions and when an existing low risk customer/policyholder becomes a high risk customer/policyholder.

- (i) Insurer shall according to its policy ascertain whether new customers/ potential policy holders should be classified as High Risk or not. The policy shall categorize the following as High Risk customers:

- I. non-residents;
- II. such body corporate, partnerships, associations, trusts and other legal arrangements including non-governmental organizations or not-for-profit organizations which receive donations;
- III. customers/ policy holders belonging to countries which are non-compliant with anti-money laundering regulations according to Financial Action Task Force;
- IV. customers/ policy holders with known links to any state or a country or territory where certain taxes are levied at a low rate or not at all;
- V. customers/ policy holders with dubious reputation as per public information available;
- VI. high net worth customers/ policy holders with no clearly identifiable source of income;
- VII. customers/ policy holders dealing in high-value items;
- VIII. persons soliciting services through non face to face mode such as telesales, internet sales, etc.;
- IX. persons who have been refused business relationship by another financial institution as defined in section 2(f) of the Anti-Money Laundering Act, 2010;
- X. Politically Exposed Persons (PEPs) as defined by Financial Action Task Force, including foreigners or persons holding public or high profile positions;
- XI. family members or close associates of PEPs; and
- XII. counterparts from or in countries not appropriately applying Financial Action Task Force recommendations.

- (ii) Low risk customers shall include such persons whose identity and the details relating to beneficial ownership in case of body corporate are publicly available. This category shall include:

- I. Financial institutions as defined as defined in section 2(f) of the Anti-Money Laundering Act, 2010; and
- II. listed companies.

5. Record Updating

(i) Insurers are required to:

- I. at all times maintain and keep in place systems to monitor all business related transactions on regular basis;
- II. update customer/ policy holder information records regularly; and
- III. maintain proper records of the customer/ policy holder identifications and clearly specify in record, if any exception is made in fulfilling the Customer Due Diligence/Know Your Customer measures.

(ii) Insurers shall keep records regarding the identification data obtained through the Customer Due Diligence/Know Your Customer and Enhanced Customer Due Diligence process i.e. copies or records of official identification documents like Computerized National Identity Card, passport, driving license or similar documents etc., policy files and business correspondence for at least five years after the business relationship is ended.

6. General Directions

(i) Where the insurance premium is paid by persons other than the person insured, insurer shall in addition to the documents stated in Annexure-I also obtain identification data such as attested copy of the Computerized National Identity Card or Passport of the person paying the premium to verify the identity of the beneficiary of the relationship. The insurers shall also verify the relationship between the customer/ policy holder and such other person.

(ii) For customers/ policy holders that are legal persons, insurers shall take reasonable measures to determine the natural persons who beneficially owns or control the customer. This includes those persons who exercise ultimate effective control over a legal person or arrangement.

(iii) The Insurers shall conduct ongoing due diligence and scrutiny i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the insurer's knowledge of the customer/ policy holder, its business and risk profile.

(iv) In case of new insurance contract/ policy is issued through Insurance Broker, the collection of documentation shall be completed within 15 days of the issue of policy.

(v) In case of existing customers/ policy holders, Know Your Customer (KYC) exercise shall be completed within one year of the date of this directive.

(vi) Before issuing any insurance contract/ policy, the insurers shall verify Computerized National Identity Card of the customer by utilizing online facility of National Database Registration Authority (NADRA). In case insurers or its branches do not have access to the online facility of NADRA, the Computerized National Identity Card shall be verified from the nearest Regional Office of NADRA or such facility provided by the

NADRA. The cost of verification of Computerized National Identity Card from NADRA shall not be passed on to the existing or prospective customers of the insurers.

7. Appointment of compliance officer:

(i) All Insurers shall designate a "Compliance Officer" in their respective organizations, who will primarily be responsible for the areas including, but not limited to:

- I. the insurer's effective compliance to the relevant provisions of the Anti-Money Laundering Act 2010, the Anti-Money Laundering Regulations 2008 and the Anti-Money Laundering Rules 2008;
- II. ensuring that the internal policies and procedures approved by the Board of Directors of the respective insurers for prevention of money laundering and terrorist financing are effectively implemented;
- III. providing assistance in compliance to other departments and branches of the insurer;
- IV. timely submission of accurate data/ returns as required under the applicable laws;
- V. monitoring and timely reporting of the suspicious transactions to the Financial Monitoring Unit, Government of Pakistan; and
- VI. such other responsibilities as the insurers may deem necessary in order to ensure compliance with this directive.

(ii) All insurers are hereby advised to furnish to Securities and Exchange Commission of Pakistan, not later than June 30, 2012, the contact details including the full name, designation, address, phone number, fax number, mobile number and email address of their designated Compliance Officer.

(iii) Any subsequent change in the nomination of the Compliance Officer should immediately be reported to the Securities and Exchange Commission of Pakistan, along with the reason for change.

8. Internal control and compliance

(i) It shall be the duty of the directors of the insurers to ensure that this directive is complied with in letter and spirit.

(ii) The appointment of a Compliance Officer shall not absolve the Directors of the insurers from their onus and obligations under the applicable laws.

9. Any failure on part of any insurer to comply with the above directions of the Securities and Exchange Commission of Pakistan is punishable under section 156 of the Insurance Ordinance, 2000.


(Abdul Rehman Qureshi)
Advisor/Secretary

Customer/Policyholder Identification Procedure for Insurance Contracts

Type of Customer	Information/	Documents Required
Individual Customer/Policyholders	<ul style="list-style-type: none"> - Name - Father's Name - Address - Telephone Number. - Source of Income with sufficient documentary proof. - Business/Employment Proof -National Tax Number (NTN) 	<ul style="list-style-type: none"> -Customer/policyholder identity verification through Attested copy of CNIC or Passport; - residence /address verification through documentary proof that may include; <ul style="list-style-type: none"> lease agreement, rent receipt not older than three months, sale deed , last paid telephone bill not older than three months;
Corporate/ Group customers/policyholders	<ul style="list-style-type: none"> - Name of company and its directors - Registered Address/principle place of business Mailing address - Telephone Numbers -National Tax Number (NTN) of the company 	<ul style="list-style-type: none"> Certified copy of Certificate of Incorporation. Attested copies of CNIC or Passport of all directors - Last Audited accounts of the company Certified copies of Memorandum and articles of association - Board Resolution in original or an attested copy of the same to open an account and Identification of those having authority to operate. -Certified copy of latest Form A of the company
Trusts	<ul style="list-style-type: none"> -names of trustees -names of beneficiaries -National Tax Number (NTN) of the trust. 	<ul style="list-style-type: none"> -attested copies of CNIC or passport of trustees -proof of residence -attested copies of CNIC or passport of beneficiaries if the beneficiaries are not the public at large -certified copy of registered trust deed Copy of latest financials of the trust

		Trustee resolution
NGOs/Charitable Institutions	<ul style="list-style-type: none"> - persons responsible for the management of NGO/charitable institution - office address -National Tax Number (NTN) of the NGO/Charitable Institution. 	<ul style="list-style-type: none"> -certified copy of registered charter or articles -attested copy of No Objection Certificate/License from the concerned authority, if any, -attested copies of the CNIC or passport of the persons responsible for the management of such NGO/charitable institution -proof of office address -certified copy of the power of attorney or attested copy of authority letter in favour of any person acting on behalf of or for such NGO/charitable institution.
Partnership Firms	<ul style="list-style-type: none"> - legal name - names of partners and their addresses Office address Telephone number of firm and partners -National Tax Number (NTN) of the firm. 	<ul style="list-style-type: none"> Certified copy of partnership deed, -certified copy of firm registration certificate -attested copies of CNIC or passport of all the partners - proof of office address