

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad 9th January, 2012

NOTIFICATION

S.R.O. 15(I)/2012- In exercise of the powers conferred by clause (f) of sub-section (1) of section 7, section 12 and sub-section (3) of section 167 of the Insurance Ordinance, 2000 (XXXIX of 2000) read with section 40 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) and having been previously published in the newspapers of wider circulation as required by sub-section (2) of section 40 of said Act XLII of 1997, the Securities and Exchange Commission of Pakistan, with the approval of the Policy Board, hereby makes the following regulations, namely:-

- 1. Short title and commencement.** - (1) These Regulations shall be called the Insurance Companies (Sound and Prudent Management) Regulations, 2012.

(2) They shall come into force at once.

2. APPLICATION AND SCOPE

(1) These Regulations shall be applicable to the following persons:

- (i) chief executive, by whatever name called and principal officer of the insurer;
- (ii) directors of the insurer; and
- (iii) Key Officers of the insurer.

Explanation: "Key Officer" includes, the persons discharging the following functional responsibilities, - .

- a. chief operating officer, head of operation, by whatever name called;
- b. chief financial officer, head of accounts, by whatever name called;
- c. head of actuarial department;
- d. head of law, company secretary or compliance officer;
- e. chief investment officer, head of investments, by whatever name called;
- f. head of internal audit;
- g. heads of departments; and
- ga. ¹Consultant, Advisor, Executive Director or any other position by whatever name called, which is not a member of the Board of Directors but charged with the functions of decision-making and formulation of policies of an insurer;
- h. any other officer, the Commission may include

(2) A proposed director or chief executive or principal officer of the insurer shall not assume the charge of office until their appointment has been approved by the Commission.

(3) The application for seeking approval of the Commission under Sub-

¹ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

Regulation (2) shall be submitted by the insurer along with the requisite information required under Annexure "A" and an Affidavit as specified in Annexure "B" and Annexure "C"².

(4) The appointment of Key Officers of an insurer does not require the approval of the Commission, however an insurer shall ensure at the time of appointing a Key Officer that such person qualifies the requirements of these Regulations.

(5) The fitness and propriety of a person shall be assessed by taking into account all the relevant factors including but not limited to the following:

- (i) Integrity and track record of such person;
- (ii) Financial soundness of such a person;
- (iii) Competence and capability of the person; and
- (iv) Conflict of interest of such person with the business of the insurer.

(6) All persons subject to these Regulations shall submit any change in the submitted information through the authorized person of the insurer to the Commission.

3. ASSESSMENT OF FITNESS AND PROPRIETY

(i) Integrity and Track Record

A person shall not be considered a Fit and Proper person if he:

- (a) has been convicted in criminal breach of trust, fraud, etcetera;
- (b) has been convicted of an offence involving moral turpitude;
- (c) has been subject to adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;
- (d) has been involved in the financial irregularities or malpractices in a Company due to which the registration or license of the Company has been revoked or cancelled or which has gone into liquidation or other similar proceedings;
- (e) is ineligible, under the Companies Ordinance, 1984 or any other legislation from acting as a director; or
- (f) has entered into a plea bargain arrangement with the National Accountability Bureau or any other regulatory body;

² Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

- (g) ³has been refused the right or restricted in his right to carry on any trade, business or profession for which a specific license, registration or other authorization is required by law in any jurisdiction;
- (h) ⁴has been issued a prohibition order under any Act administered by any regulator or has been prohibited from operating in any jurisdiction by any financial services regulatory authority;
- (i) ⁵has been censured, disciplined, suspended or refused membership or registration by any regulator, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Pakistan or elsewhere;
- (j) ⁶has contravened or abetted another person in breach of any laws or regulations, business rules or codes of conduct, whether in Pakistan or elsewhere.

(II) Financial Soundness

In determining a person's financial soundness, the following shall be considered:

- (a) ⁷a proposed director or chief executive or principal officer shall submit an affidavit to the Commission affirming under the oath that the person and the companies, firms, sole proprietorships, etc. where the person is a chief executive, director (other than nominee director), owner or partner, etc. have no overdue payment of any financial institution:

Provided that in case of overdue in CIB report, no rejection shall be made unless the person has been given opportunity of making a representation before the approving authority, in order to clarify his position in the matter within 30 days of Notice sent by the Commission.

- (a1) ⁸a proposed director or chief executive or principal officer shall not be considered as a fit and proper person if any overdue/past due payment to a financial institution, irrespective of amount, is appearing in the overdue column of latest CIB report of the person and of the companies, firms, sole proprietorships, etc. where the person is a chief executive, director (other than nominee director), owner or partner, etc.:

³ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

⁴ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

⁵ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

⁶ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

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Provided that the following exceptions may be granted by the Commission for the purpose of this clause in case where:

- (i) Amount overdue is under litigation and the same is also appearing as amount under litigation in the CIB report; or
 - (ii) No overdue payment appearing in the overdue column in the subsequent latest CIB report.
- (a2) ⁹ a proposed director or chief executive or principal officer shall not be considered as a fit and proper person if his name is placed on the exit control list maintained by the Ministry of Interior, Government of Pakistan.

Explanation: For the purposes of the above clause, the proposed director/CEO/principal officer shall provide an affidavit to the insurer, on whose board he/she is to be appointed, confirming the placement / non-placement of his/her name on the exit control list, which shall be filed with the Securities and Exchange Commission of Pakistan along with the application for seeking approval under the Insurance Companies (Sound and Prudent Management) Regulations, 2012. All existing directors/CEO/principal officer of an insurer shall also provide the said affidavit to that insurer, which shall be filed with the Securities and Exchange Commission of Pakistan within a period of one month from the date of coming into effect of this clause.

- (a3) ¹⁰ a director or chief executive or principal officer subject to fit and proper criteria shall report any change with reference to his/her financial soundness to the insurer within three business days and the insurer shall within a period of seven business days report the same to the Commission;
- (b) whether the person has applied to be adjudicated as an insolvent and his application is pending; or
 - (c) whether the person is an un-discharged insolvent;
 - (d) ¹¹whether the person is or has been unable to fulfil any of his financial obligations in Pakistan or elsewhere;
 - (e) ¹²whether the person is subject to a judgment debt which is unsatisfied, either in whole or in part in Pakistan or elsewhere.

⁹ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

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(iii) Competence and Capability

In determining a person's competence and capability the following shall be considered:

- (a) the chief executive or principal officer must fulfill the following requirements:
 - (I) such person must have a minimum educational qualification of a bachelor's degree or equivalent from an institution recognized by the Higher Education Commission of Pakistan or foreign qualification of equivalent level recognized by the Higher Education Commission of Pakistan, with at least 10 years' experience out of which 5 years as Key Officer ¹³or Director or Chief Executive or Principal Officer in the insurance industry ¹⁴or as an officer with Insurance Regulator; or
 - (II) such person must (a) be an ACII or FCII, (b) be a Fellow ¹⁵or Associate of the Institute or Society of Actuaries or equivalent qualification as recognized by the Pakistan Society of Actuaries, (c) hold a masters degree in Insurance, Risk Management or Actuarial Science from a university recognized by the Higher Education Commission with at least 5 years' experience as Key Officer ¹⁶or Director or Chief Executive or Principal Officer in the insurance industry ¹⁷or as an officer with Insurance Regulator;
- (b) the directors should be individuals having management or business experience of at least five years at senior level.
- (c) the key officers must be qualified professionals possessing relevant experience and duly recognized qualification/ certification relating to the job or assignment.

(iv) Conflict of Interest

- (a) The Chief executive, principal officer or director or key officers of an insurer shall not:
 - (I) be a director in any other insurer engaged in a similar line of insurance business in Pakistan such as life or non-life insurance business;

¹³ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

¹⁴ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

¹⁵ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

¹⁶ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

¹⁷ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

- (II) have any direct or indirect ownership or management interest in any insurance surveyor or insurance broker; and
- (III) be a member of stock exchange or director or employee of a brokerage house registered at any stock exchange or a spouse of such persons.
- (b) In case of Key Officers, the insurers must ensure that the cross functional activities of such personnel should not give rise to conflict of interest.
- (v) ¹⁸**Hearing Opportunity**

In case of failure by a person to meet any of the fit and proper criteria set out in these Regulations, no rejection shall be made unless the person has been given opportunity of making a representation before the Commission.

4. TRANSITIONAL PROVISION

The Insurers shall ensure that:

- (1) their existing Key Officer comply with the provisions of this notification within one year from the date of publication of this notification;
- (2) A person appointed as chief executive or principal officer after the issuance of these regulation is in compliance with provisions of these Regulations, however the existing chief executive officer or the principal officer shall be required to comply with the provisions of these Regulations within five years from the date of notification of these regulations; and
- (3) The existing directors comply with provisions of these Regulations before the commencement of their new term in office, if any, as directors.

¹⁸ Inserted through Gazette Notification vide SRO No. 1165(I)/2016 dated 22.12.2016

Annexure-A

Information to be provided
by proposed director and proposed chief executive of the insurance company

1.	Curriculum Vitae/Resume containing:
a	Name (former name if any):
b	Father's or Husband Name:
c	C.N.I.C # (attach copy)
d	Nationality:
e	Age:
f	Contact details:
	i) Residential address:
	ii) Business address:
	iii) Tel:
	iv) Mobile:
	v) Fax:
	vi) E-mail:
g	National Tax Number:
h	Present occupation:
i	Qualification(s):
	i) Academic:
	ii) Professional:
j	Experience: (Position held during the last 10 years along with name and address of company institution)
2.	Nature of directorship Executive <input type="checkbox"/> Non –executive <input type="checkbox"/> Status of directorship Nominee director <input type="checkbox"/> Number of share subscribed or held _____ Nominated by _____ (name of shareholder) Personal net worth (copy of wealth statement) _____

3.	Names of companies, firm and other organization of which the proposed person is a director, partner, office holder.
4.	In the case of appointment of directors, the date of board of directors' meeting in which the appointment of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors. If the director is elected, then attach a copy of the minutes of the general meeting of the company.)
5.	Names of persons on the board of the insurance company who are related to the applicant.

*Latest Photograph of the applicant must be attached

FITNESS & PROPRIETARY OF KEY OFFICERS

Signature

*use additional sheets if required

AFFIDAVIT

(On Stamp Paper of Appropriate Value)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ do hereby state on solemn affirmation as under:-

1. That I am eligible for the position of _____ according to the Insurance Companies (Sound and Prudent Management) Regulations, 2012 for the position of _____ in _____.
2. That I hereby confirm that the statements made and the information given by me is correct and that there are no facts which have been concealed.
3. That I have no objection if Securities and Exchange Commission of Pakistan requests or obtains information about me from any third party.
4. That I undertake to bring to the attention of the Securities and Exchange Commission of Pakistan any matter which may potentially affect my status for the position of _____ as per the Insurance Companies (Sound and Prudent Management) Regulations, 2012.
5. That all the documents provided to Securities and Exchange Commission of Pakistan are certified true copies of the originals.

DEPONENT

The Deponent is identified by me

Signature _____
ADVOACTE
(Name and Seal)

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature _____
(Name and Seal)

AFFIDAVIT

(On Stamp Paper of Appropriate Value)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ do hereby state on solemn affirmation as under:-

- (a) I have not been convicted in criminal breach of trust, fraud, etcetera;
- (b) I have not been convicted of an offence involving moral turpitude;
- (c) I have not been subject to adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;
- (d) I have not been involved in the financial irregularities or malpractices in a Company due to which the registration or license of the Company has been revoked or cancelled or which has gone into liquidation or other similar proceedings;
- (e) I am not ineligible, under the Companies Ordinance, 1984 and any other legislation from acting as a director;
- (f) I have not entered into a plea bargain arrangement with the National Accountability Bureau or any other regulatory body;
- (g) I have not been defaulter in repayment of loan to a financial institution or defaulter of a stock exchange;
- (h) I have not applied to be adjudicated as an insolvent and such application is not pending;
- (i) I am not an un-discharged insolvent;
- (j) I shall not be a director in any other insurer engaged in a similar line of insurance business in Pakistan, such as life or non-life insurance business;
- (k) I shall not have any direct or indirect ownership or management interest in any insurance surveyor or insurance broker;
- (l) I shall not be a member of stock exchange or director or employee of a brokerage house registered with any stock exchange or a spouse of such person;
- (m) I confirm that my name has not been placed on the exit control list maintained by Ministry of Interior, Government of Pakistan.
- (n) I confirm that I and the companies, firms, sole proprietorships, etc. where I am a chief executive, director (other than nominee director), owner or partner, etc. have no overdue payment of any financial institution except the following:
- (o) I confirm that I have not been refused the right or restricted in the right to carry on any trade, business or profession for which a specific license, registration or other authorization is required by law in any jurisdiction;
- (p) I confirm that I have not been issued a prohibition order under any Act administered by any regulator or have not been prohibited from operating in any jurisdiction by any financial services regulatory authority;
- (q) I confirm that I have not been censured, disciplined, suspended or refused membership or registration by any regulator, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Pakistan or elsewhere;

- (r) I confirm that I have not contravened or abetted another person in breach of any laws or regulations, business rules or codes of conduct, whether in Pakistan or elsewhere;
- (s) I confirm that I am not or have not been unable to fulfil any of my financial obligations, whether in Pakistan or elsewhere;
- (t) I confirm that I am not subject to a judgment debt which is unsatisfied, either in whole or in part, whether in Pakistan or elsewhere;

Deponent

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature_____

(Name and Seal)