

## SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad 9<sup>th</sup> 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. Consultant, 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;]<sup>1</sup>
- h. any other officer, the Commission may include

[(1A) No insurer shall appoint a person as its chief executive or principal officer or director who does not comply with the fit and proper criteria provided in these regulations and without approval of the Commission.

(1B) In order to assess the fitness and propriety of proposed persons, the insurer shall seek information as per the requirements of these regulations at the time of election of directors or appointment of chief executive or principal officer or director, as the case may be.

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<sup>1</sup> Inserted by S.R.O. 1165(I)/2016 dated December 22, 2016.

(1C) An insurer shall, for appointment or re-appointment or any change of its directors or chief executive or principal officer, follow the following procedure for obtaining approval of the Commission, -

- (a) in the case of directors, the insurer shall within 7 days after the election of directors, submit application with the Commission for appointment of its elected directors;
- (b) within ten days from the date of appointment of the chief executive or principal officer by the board of directors, the insurer shall submit an application for appointment or reappointment of the chief executive or principal officer;
- (c) in case of occurrence of any casual vacancy in respect of a director or chief executive or principal officer, the insurer shall submit an application within 10 days of the appointment of the director or chief executive or principal officer by the board of directors;
- (d) in case the board of directors of an insurer decide to remove its chief executive or principal officer before the expiration of his term of office or the chief executive or principal officer decides to tender his resignation before the completion of his term of office, the insurer shall immediately inform the Commission along with reasons for the same;
- (e) in the case where appointment of chief executive or principal officer or nomination of director on the board of directors of an insurer is made by the Federal Government, the insurer shall submit application within 10 days of the appointment or nomination, as the case may be, by the Federal Government in this regard:

Provided that the insurer shall, prior to the appointment or nomination, as the case may be, by the Federal Government, directly or through the concerned ministry, seek clearance from the Commission under these Regulations on the fitness and propriety of the proposed persons;

- (f) any deficiency or shortcoming in the information or documents submitted by the insurer to the Commission shall be rectified by the insurer within 14 days of the issue of the letter by the Commission informing the insurer of the deficiency or shortcoming.

(1D) The chief executive or the principal officer of an insurer shall be a full-time employee of the insurer.]<sup>2</sup>

(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- 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"[]<sup>3</sup>.

(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.

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<sup>2</sup> Inserted by S.R.O. 1015(I)/2022 dated July 5, 2022.

<sup>3</sup> The expression "and Annexure "C"" omitted by S.R.O. 1015(I)/2022 dated July 5, 2022.

(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 report any change with reference to their fitness and propriety to the insurer within three business days of such change taking effect and the insurer shall within a period of seven business days from the date of receipt, report the same to the Commission.]<sup>4</sup>

[(7) The board of directors shall ensure that the insurer has put in place a mechanism to monitor whether any change in the status of its chief executive, directors and key executives is contrary to the requirements of these Regulations. In case of any change in status results in non-compliance with the fit and proper criteria, the insurer shall immediately stop the person from performing his assigned function(s), inform the Commission and initiate the process for replacement of the individual with a fit and proper individual.]<sup>5</sup>

### **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 Act, 2017]<sup>6</sup> 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:

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<sup>4</sup> Regulation 2(6) substituted by S.R.O. 1015(I)/2022 dated July 5, 2022. Regulation 2(6) before substitution stated:

(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.

<sup>5</sup> Inserted by S.R.O. 1015(I)/2022 dated July 5, 2022.

<sup>6</sup> Substituted for "Companies Ordinance, 1984" by S.R.O. 1015(I)/2022 dated July 5, 2022

[Provided that individuals subject to the fit and proper criteria shall submit, as per Annexure – B, affidavit stating that no investigation is initiated by any Law Enforcement Agency (LEA) against such person and in case any investigation has been initiated, the fact must be disclosed:

Provided further that in case of any investigation initiated by LEAs against the chief executive or principal officer or any director of the insurer, the board of directors of the insurer shall decide whether to retain such chief executive or director and record reasons in writing for the same;]<sup>7</sup>

- [(g) has 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) has 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) has 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) has contravened or abetted another person in breach of any laws or regulations, business rules or codes of conduct, whether in Pakistan or elsewhere.]]<sup>8</sup>

**(ii) Financial Soundness**

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

- (a) [whether any instance of overdue or 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 proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc.:

Provided that the Commission shall provide an opportunity of making representation to the person in case of overdue or past due payment;

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

- (i) Amount overdue is under litigation and the same is also appearing as amount under litigation in the CIB report; and
- (ii) No overdue payment appearing in the overdue column in the subsequent latest CIB report;]<sup>9</sup>

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<sup>7</sup> Inserted by S.R.O. 1015(I)/2022 dated July 5, 2022.

<sup>8</sup> Inserted by S.R.O. 1165(I)/2016 dated December 22, 2016

<sup>9</sup> Regulation 3(ii)(a) substituted by S.R.O. 1015(I)/2022 dated July 5, 2022. Regulation 3(ii)(a) before substitution stated:

(a1) [Omitted]<sup>10</sup>

(a2) 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.

[ ]<sup>11</sup>

(a3) [Omitted]<sup>12</sup>

(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) whether the person is or has been unable to fulfil any of his financial obligations in Pakistan or elsewhere;

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(a) a 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.

<sup>10</sup> Regulation 3(ii)(a1) omitted by S.R.O. 1015(I)/2022 dated July 5, 2022. Regulation 3(ii)(a1) before omission stated:

(a1) a 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.:

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.

<sup>11</sup> Explanation to Regulation 3(ii)(a2) omitted by S.R.O. 1015(I)/2022 dated July 5, 2022. Explanation to Regulation 3(ii)(a2) before omission stated:

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.

<sup>12</sup> Regulation 3(ii)(a3) omitted by S.R.O. 1015(I)/2022 dated July 5, 2022. Regulation 3(ii)(a3) before omission stated:

(a3) 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;

- (e) whether the person is subject to a judgment debt which is unsatisfied, either in whole or in part in Pakistan or elsewhere;]<sup>13</sup>
- [(f) whether the name of such person is appearing on the active tax payer list maintained by the Federal Board of Revenue:

Provided that foreign nationals and non-resident persons shall be exempt from the requirement of this sub-clause.

Provided further that the requirement of this sub-clause shall not be applicable, where it is not mandatory for such person to file income tax returns with the Federal Board of Revenue.]<sup>14</sup>

### **(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 [or Director or Chief Executive or Principal Officer]<sup>15</sup> in the insurance industry [or as an officer with Insurance Regulator]<sup>16</sup>; or
  - (II) such person must (a) be an ACII or FCII, (b) be a Fellow [or Associate]<sup>17</sup> 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 [or Director or Chief Executive or Principal Officer]<sup>18</sup> in the insurance industry [or as an officer with Insurance Regulator;]<sup>19</sup>
- (b) the directors should be individuals having management or business experience of at least five years at senior level:

[Provided that from the date of coming into effect of these amendments, in case of a fresh applicant as an insurer, at least one director of such applicant, excluding the chief executive officer, shall have at least 5 years' experience at senior management level or director or chief executive officer in the insurance industry or the financial services industry.]<sup>20</sup>

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<sup>13</sup> Inserted by S.R.O. 1165(I)/2016 dated December 22, 2016

<sup>14</sup> Inserted by S.R.O. 1015(I)/2022 dated July 5, 2022

<sup>15</sup> Inserted by S.R.O. 1165(I)/2016 dated December 22, 2016

<sup>16</sup> Inserted by S.R.O. 1165(I)/2016 dated December 22, 2016

<sup>17</sup> Inserted by S.R.O. 1165(I)/2016 dated December 22, 2016

<sup>18</sup> Inserted by S.R.O. 1165(I)/2016 dated December 22, 2016

<sup>19</sup> Inserted by S.R.O. 1165(I)/2016 dated December 22, 2016

<sup>20</sup> Inserted by S.R.O. 1015(I)/2022 dated July 5, 2022

- (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;
  - (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) [Omitted]<sup>21</sup>

**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.

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<sup>21</sup> Regulation 3(v) omitted by S.R.O. 1015(I)/2022 dated July 5, 2022. Regulation 3(v) before omission stated:

**(v) 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.

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

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1.	Curriculum Vitae/Resume containing:															
a	Name (former name if any):															
b	Father's or Husband Name:															
c	C.N.I.C # / Passport # (in case of foreign nationals) - (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	Details of Academic and Professional Qualifications: (In case of fresh appointment as CEO, attach copy evidencing minimum qualification under the Regulations). Board of Directors of insurer shall ensure verification of credentials and degrees of the Chief Executive.															
j	Experience: Position held during the last ten years (along with name and address of company/institution/body where appointment held, nature of the company/institution/body and dates of appointment.)															
2.	<table border="0"> <tr> <td><b>Nature of directorship</b></td> <td>Executive</td> <td><input type="checkbox"/></td> <td>Non –executive</td> <td><input type="checkbox"/></td> </tr> <tr> <td></td> <td>Independent</td> <td><input type="checkbox"/></td> <td>Non-independent</td> <td><input type="checkbox"/></td> </tr> <tr> <td><b>Status of directorship</b></td> <td>Shareholder</td> <td><input type="checkbox"/></td> <td>Nominee</td> <td><input type="checkbox"/></td> </tr> </table> Nominated by (name of shareholder/group of shareholders he is representing) Number of share subscribed or held _____	<b>Nature of directorship</b>	Executive	<input type="checkbox"/>	Non –executive	<input type="checkbox"/>		Independent	<input type="checkbox"/>	Non-independent	<input type="checkbox"/>	<b>Status of directorship</b>	Shareholder	<input type="checkbox"/>	Nominee	<input type="checkbox"/>
<b>Nature of directorship</b>	Executive	<input type="checkbox"/>	Non –executive	<input type="checkbox"/>												
	Independent	<input type="checkbox"/>	Non-independent	<input type="checkbox"/>												
<b>Status of directorship</b>	Shareholder	<input type="checkbox"/>	Nominee	<input type="checkbox"/>												
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.															

Signature

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\*use additional sheets if required]<sup>22</sup>



**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.
- [6. That I undertake that no investigation is initiated by any Law Enforcement Agency (LEA) against me. (In case any investigation has been initiated, the fact must be disclosed)]<sup>23</sup>

\_\_\_\_\_  
**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)**

Note: An insurer may separately file the affidavit required in compliance of S.R.O. 933(I)/2020 dated September 30, 2020 or may combine the aforementioned affidavit with the affidavit above.<sup>24</sup>

<sup>23</sup> Inserted by S.R.O. 1015(I)/2022 dated July 5, 2022

<sup>24</sup> Inserted by S.R.O. 1015(I)/2022 dated July 5, 2022

[Omitted]<sup>25</sup>

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<sup>25</sup> Omitted by S.R.O. 1015(I)/2022 dated July 5, 2022