

**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN****Adjudication Department-I****Adjudication Division**

ORDER	
Name of Company:	M/s. Premier Insurance Limited
Show Cause Notice No. & Date:	No. ID/Enf/Premier/2025/313 dated February 07, 2025
Respondents:	M/s. Premier Insurance Limited
Date of Hearing:	April 14, 2025
Case represented by:	Mr. Rashid Sadiq, RS Corporate Advisory (Authorized Representative)
Provision of law involved:	Section 6A(2)(h) of the Anti-Money Laundering Act, 2010; Rules 4(1)(a) and 6(1) of the AML/CFT Sanctions Rules, 2020; Regulation 13(1) and Regulation 25(1)(a) of the Securities read with Regulation 31 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020
Date of Order:	August 01, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “**Commission**”) through the Show Cause Notice No. ID/Enf/Premier/2025/313 dated m 07, 2025 (the “**SCN**”) against Premier Insurance Limited (the “**Company/Respondent**”), issued under Regulation 13(1) and Regulation 25(1)(a) of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 (the **AML Regulations**) read with Regulation 31 thereof and Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 (the **AML Act**) and Rules 4(1)(a) and 6(1) of the AML/CFT Sanctions Rules, 2020 (the **AML Sanctions Rules**).

2. The provisions of Regulation 13(1) of the AML Regulations require that the Regulated Person shall take reasonable measures for the identification and verification of the identity of beneficial owner of its customers that are legal persons by identifying the natural person who ultimately has a controlling ownership interest in such legal persons.

3. The provisions of Regulation 25(1)(a) of the AML Regulations require that the Regulated Person shall undertake Targeted Financial Sanctions (TFS) obligations under the United Nations (Security Council) Act, 1997 and any regulations made thereunder. The TFS obligations, *inter alia*, includes developing mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential matches with the stated designated/proscribed persons/entities in the SROs and notifications issued by the Ministry of Foreign Affairs (MoFA), the National Counter Terrorism Authority (NACTA) and the Ministry of Interior (MoI).

4. Regulation 31 of the AML Regulations provides that any contravention of the AML Regulations shall be cognizable by the Commission in accordance with section 6A of the AML Act and liable to sanctions provided in the AML Sanctions Rules and imposed by the Commission according to clause (h) of sub-section (2) of Section 6A of AML Act.

5. The brief facts of the instant case are that an onsite inspection of the Company for the review period from January 1, 2023 to December 31, 2023 was conducted in pursuance of Inspection Order

dated April 19, 2024 passed to evaluate its compliance with the AML Regulations. Letter of Findings (LOF) dated June 4, 2024 and Inspection Report dated June 14, 2024 were duly shared with the Company.

6. During the inspection proceedings, it was noted that beneficial owners were neither identified nor verified in respect of the following legal persons which, prima facie, constitutes non-compliance with the requirements of Regulation 13(1) of the AML Regulations:

Sr. #	Corporate Customers	Legal Persons	Policy Number
1.	TFSL	FT	2023/12/CSKHTCCDP00212
2.	CAL	BTW	2023/10/LHMFNDP00037
3.	TRGP	GTH	2023/11/CSKHLDDP00004
4.	SHL	AEV	2023/04/ISLHHDP00006
5.	MTML	HII	2023/01/CSKHFFNIP00009

7. It was also observed that the Company has not been screening its customers or potential customers against the "Proscribed Organizations List" issued by NACTA, as required under Regulation 25(1)(a) of the AML Regulations. To assess the reliability of the Company's screening process, the inspection team selected few names from the list of proscribed entities and sent an email dated May 30, 2024 to the Company, enquiring whether the Company would issue insurance policy to i) Al Madina Foundation, Lahore; and ii) Maymar Trust. The Company vide email dated May 31, 2024 submitted its response that "*No record found of the provided names*", which transpired that the Company can extend services to these proscribed entities based on its results of screening. Additionally, screenshots were attached to the Company's email to demonstrate that the Company has been screening its clients only against the List of Proscribed Persons (Individuals) on the websites of NACTA and UNSC; however, it was noted that the Company has not been performing screening process/procedure of both existing and new clients against the **List of Proscribed Organizations (Entities)** published on the NACTA website as the above-referred two (2) organizations are included in the said list of proscribed organizations. It was further noted that the Company has failed to perform screening of the directors/partners of its customers against UNSC/ NACTA lists of proscribed persons.

8. In the view of the above, the Company, *prima facie*, failed to ensure compliance with the requirements of Regulation 13(1) and Regulation 25(1)(a) of the AML Regulations.

9. Accordingly, SCN was served upon the Respondent Company calling upon it to show cause as to why a penal action as provided under Regulation 31 of the AML Regulations read with Section 6A(2)(h) of the AML Act, 2010 and Rules 4(1)(a) and 6(1) of the AML Sanctions Rules, may not be taken against them for the aforementioned contraventions of the law.

10. In response to the SCN, Mr. Rashid Sadiq, RS Corporate Advisory (the Authorized Representative of the Respondent) vide letter dated March 05, 2025, *inter alia*, made the following submissions:

- i. *An onsite inspection was conducted, in terms of Section 59A of the Insurance Ordinance, 2000 (the 'Ordinance') and 6A(2)(f) of the AML Act, pursuant to the Inspection Order dated 19 April, 2024 for the review period 01 January, 2023 to 31 December, 2023;*

- ii. Inspection Report dated 14 June, 2024 was provided to the Company through letter dated 09 January, 2025.
- iii. A letter of findings was issued on 04 June, 2024.
- iv. Thereafter, the SCN was issued on the basis of the following perceived violations:
- That beneficial owners of the five (5) corporate customers as mentioned in para 7.1 of the Inspection Report entities were neither identified nor verified;
 - "That the Company has not been screening its customers/potential customers against the "Proscribed Organizations List" issued by NACTA, as required under Regulation 25(1)(a) of the AML Regulations. To test the screening process and procedures of the Company, the inspection team selected few names from the list of proscribed entities and sent an email dated May 30, 2024 to the Company, enquiring whether the Company would issue insurance policy to i) Al Madina Foundation, Lahore; and ii) Maymar Trust. The Company vide email dated May 31, 2024 submitted its response that "No record found of the provided names", which implies that the Company can extend services to these proscribed entities based on its results of screening. Additionally, screenshots were attached to the Company's email to demonstrate that the Company has been screening its clients against the List of Proscribed Persons (Individuals) on the websites of NACTA and UNSC; however, it was noted that the Company has not been performing screening process/procedure of both existing and new clients against the List of Proscribed Organizations (Entities) published on the NACTA website as the above-referred two (2) organizations are included in the said list. It was further noted that the Company has failed to perform screening of the directors/partners of its clients against UNSC/NACTA lists." (reproduced from paragraph 6 of the SCN).
- v. The SCN concluded by reproducing provisions of Regulation 31 of the Regulations, Rules 4(1) and 6(1) of the Sanction Rules and Section 6A(2)(h) of the AML Act and requiring the Company to show cause as to why penal action may not be taken against it for contravening the mentioned law.
3. At the outset, it is submitted that the Company denies alleged violations and make its point wise submissions in response to the SCN are as follows:
- (i) To the extent that paragraphs 1 and 2 of the SCN discuss contents of Regulations 13(1) and 25(1)(a) of the Regulations, the observations need no response. However, it is submitted that all requisite measures are taken by the Company at all times to identify beneficial owners of its customers who are legal persons and the Company has developed adequate and effective mechanisms, processes and procedures for screening and monitoring customers, potential customers to detect potential matches with proscribed person lists.
- (ii) To the extent that paragraphs 3 and 4 of the SCN provide factual background, the same need no response.
- (iii) Paragraph 5 of the SCN refers to the alleged non-compliance of the Company with Regulation 13(1) of the Regulations where it is noted that during the inspection proceedings it was discovered that beneficial owners of the following five (5) corporate clients of the Company were neither identified nor verified:

Sr.#	Client Name	Name of Legal Person
1.	Trukkr Financial Services Limited	Finlo Technologies

2.	Crossfit Apparels (Pvt) Limited	BTW Pvt Ltd
3.	TRG Pakistan Limited	Green Tree Holdings
4.	SK Hydro (Pvt) Limited	Asian Energy Ventures
5.	Modus Textile Mills (Pvt) Limited	Hamelin Investment Inc

*Percentage of shareholding is not maintained by PIL.

(iv) The above finding may be read in light of Regulation 13 of the Regulations which provides as under:

"13. (1) For customers that are legal persons, the regulated person shall identify and take reasonable measures to verify the identity of beneficial owners by:

(a) identifying the natural person(s) (if any) who ultimately has a controlling ownership interest (as defined under relevant laws) in a legal person; and

(b) to the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s) or where no natural person exerts control through ownership interests, the identity of the natural person(s) (if any) exercising control of the legal person or arrangement through other means; and

(c) where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official." (emphasis provided)"

(v) You will also appreciate that the above emphasized language instructs reliance on 'relevant laws' which for identification purposes would be Section 123A of the Companies Act, 2017 (the 'Act') read with Regulation 48(5) of the General Regulations, 2024 (the 'General Regulations') and 19A(1) to (4), 19A(6) and 19A(7) of the repealed Companies (General Provisions and Forms) Regulations, 2018 as saved from repeal by virtue of Regulation 148 of the General Regulations.

(vi) With regards to the abovementioned relevant law, the information of UBOs is as follows:

Sr.#	Client Name	Name of Shareholder (holding 25% or more)	UBO
1	TFSL	FT (99.7%)	SB, who is also the CEO TFSL, is the UBO. TFSL is an SECP licensed NBFC and we understand that the SECP has only issued the license after a thorough AML/CFT compliance review and identification of the UBOs of TFSL.
2	CAL	BTW (82.4%)	BIS, WA and TIR are the UBO as all the three hold over 33.3% shares of BTW.
3	TRGP	GH (28%)	GH is a wholly owned subsidiary of TRGI.

			TRGP holds over 68% shares of TRGI and GH holds over 28% of TRGP. Accordingly, name of CEO of GH, Mr. AA has been mentioned as UBO in terms of Section 123A of the Companies Act, 2017.
4	SHL	GI FZE (78%)	It is incorrect that Asian Energy Ventures is the legal person as mentioned in the SCN.
5	MTML	HI Inc(50%)	This is a co-insurance, case. Lead insurer, has done its due diligence and we have requested them for UBO information.

(vii) You will kindly appreciate that the Company has maintained the percentage of shareholding which is substantiated from the above information.

(viii) In view of the above, the Company is compliant with Regulation 13(1) of the Regulations.

(ix) Paragraph 6 of the SCN observes that the Company has not been screening its customers/ potential customers against the "Proscribed Organizations List" issued by NACTA.

(x) The above observations have to be considered in light of Regulation 25(1)(a) of the Regulations which provides as under:

"25. (1) The regulated person shall undertake TFS obligations under the United Nations (Security Council) Act 1948 and/or Anti-Terrorism Act 1997 and any regulations made there under, including:

(a) develop mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential matches with the stated designated/proscribed persons in the SROs and notifications issued by MoFA, NACTA and Mol...."

(xi) With regards to the perceived violation, it is submitted that the Company has confirmed to the Inspection team that no policies have been issued nor has any business relationship been maintained with the persons mentioned. Additionally, following discussions between the SECP inspection lead and the Company Head of Compliance, the Company provided a comprehensive outline of its screening process and to the best of its knowledge and belief understood itself to have already fully complied with requirements of the law.

(xii) You will appreciate that the test question posed by the inspection team was a hypothetical one and the Company has actually not issued any policies in the names of the proscribed organizations. In no case does this hypothetical scenario reflect the possibility that the Company may issue policies to proscribed organizations. This conclusion is vehemently denied where the Company takes the utmost care to only establish business relations with customers

after proper screening and due diligence has been conducted in terms of the Regulations. As per our automated system, both entities are appearing as proscribed entities.

(xiii) You will also appreciate that the law speaks only of vetting for 'proscribed persons' and that too from the SROs and notifications issued by MoFA, NACTA and Mol and, accordingly, there is no actual violation of Regulation 25(1)(a) of the Regulations which in the strictest sense apply to only require screening for proscribed persons. The crux of the Regulation 25 of Regulations is that the insurers must not issue any policy to the proscribed persons.

(xiv) The SECP is assured that the Company has never issued policies to proscribed persons or organizations nor have any instances of such violations been discovered by the SECP through its inspections. No case, therefore, has been made out by the SCN on this account.

(xv) Accordingly, it is humbly submitted that no adverse action be taken against the Company which is committed to ensuring regulatory compliance in letter and spirit and has demonstrated the same through the inspection.

(xvi) To the extent that Paragraph 7 of the SCN observes that on the basis of the findings, the Company has prima facie violated provisions of Regulations 13(1) and 25(1)(a) of the Regulations, the same is denied.

(xvii) To the extent that Paragraph 8 of the SCN reproduces provisions of law, the same requires no response except that the Company has not violated any provisions of Regulations.

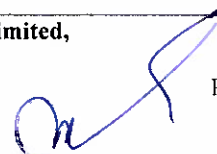
(xviii) To the extent that Paragraphs 9 to 15 of the SCN are operative provisions of the SCN, they require no response.

It is hoped that the explanation and responses given hereinabove will assure the Commission of the continued efforts of the Company to remain in regulatory compliance and in light of which the Commission may be pleased to drop the present proceedings. The Company requested to provide an opportunity to be heard in the matter

11. In order to provide an opportunity of personal representation, hearing in the matter was fixed for April 14, 2025, wherein the Authorised Representative of the Respondent appeared on behalf of the Respondent. The Authorised Representative reiterated the submissions and arguments made in the written response dated March 5, 2025. During the hearing, the Authorised Representative, *inter alia*, stated as under:

- (i) As per the recommendation of the Global Federation of Insurance Associations, non-life insurers are not included in those Financial Institutions who fall under the ambit of FATF.
- (ii) AML Regulations were promulgated under the enabling provisions of AML Act, hence; the delegation of powers in respect of the AML Regulations can be done through the AML Act; however, AML Act is not an administered legislation in terms of schedule I of the SECP Act, 1997 (the SECP Act).
- (iii) The Authorised Representative of the Respondent admitted that proper screening would not be carried out without identification of beneficial owners of customers.

12. Subsequent to the hearing, the Authorised Representative of the Respondent made further submissions in the matter vide letter dated May 7, 2025, which are summarized as under:



Summary of Legal/Jurisdictional Issues

Following are the key preliminary jurisdictional issues requiring determination by the Commission:

1. Delegation of Power under AML Act:

(a) The authority granted to the Commission under the Anti-Money Laundering Act cannot be delegated via Section 10 of the SECP Act. As held by Supreme Court of Pakistan in *Muhammad Ashraf Titouna v. SECP* (2013 SCMR 1159), only powers expressly stated in Section 20 of the SECP Act or under administered legislation may be delegated.

(b) Specifically, powers under Section 6A(2)(h) of the AML Act, Rule 4(1)(a) and Rule 6 of the Sanction Rules⁴⁴ have been delegated to officers of the Adjudication Department through the following SROs under Section 10 of the SECP Act.

i. SRO 283(I)/2020 dated 05.03.2021

ii. SRO 534(I)/2021 dated 03.05.2021

iii. SRO 827(I)/2022 dated 09.06.2022

(c) These delegations include the authority to impose penalties—powers of a sensitive and significant nature—initially to the Executive Director and subsequently to Heads of Departments and Wings within the Adjudication Division. The lack of conditions or limitations renders these delegations' blanket in nature, thereby failing to meet the statutory threshold under Section 10 and making them legally unsustainable. Judicial support is found in case law reported as 2024 SC 230, 2023 SCP 335 (*M/s Fun Infotainment (Private) Limited vs Pakistan Electronic Media Authority*) and 2023 SCMR 1043, and 2023 SCP 132 (*Pakistan Electronic Media Authority vs Pakistan Broadcasters Association*).

(d) Furthermore, the AML Act is not categorized as "administered legislation" under Section 2(1)(aa) read with Schedule I of the SECP Act. Consequently, the delegation of powers under the AML Act through Section 10 of the SECP Act is not legally permissible. In terms of Section 20 of the SECP Act, the Commission is empowered to exercise such powers as are necessary to perform its functions under the SECP Act or any administered legislation. Since anti-money laundering and countering-terrorism financing matters fall within the scope of the AML Act—and the Commission is designated as the AML/CFT Authority under Section 6A thereof—the Commission may only exercise powers specifically set out in or prescribed under the AML Act. Therefore, such powers cannot be delegated pursuant to Section 10 of the SECP Act.

(e) Additionally, the SRO 380(I)/2021 dated 31.03.2021, which delegates inspection powers to officers of the Supervision Division under the AML Act, is also without lawful authority, particularly when such inspections aim to discover AML/CFT violations.

(f) In light of the foregoing, and without prejudice to the submissions made herein, the authority to impose fines under Regulation 31 of the Regulations must be exercised directly by the full Commission, as this power is not capable of being delegated under Section 10 of the SECP Act.

2. Invalidity of the Show Cause Notice (SCN):

(a) Rule 7 of the Sanction Rules mandates that a notice proposing sanctions must clearly state the proposed sanction, the right to appeal, and the appeal procedure.

(b) The SCN issued did not comply with these requirements. This renders the SCN invalid as per Rule 7 and is also contrary to Articles 4 and 10-A of the Constitution, which

guarantee due process and fair trial. Judicial precedents include 2013 PTD 1536 and Walk Limited.

3. **Absence of Risk-Based Penalty Scale:**

Rule 6 of the Sanction Rules requires that sanctions be aligned with the risk-based penalty scale of the relevant AML/CFT authority. SECP has not issued such a scale, making any penalty under the Sanction Rules procedurally defective and arbitrary.

4. **Regulations Issued Without Compliance with Statutory Process:**

(a) Section 6A of the AML Act authorizes the AML/CFT authority to issue regulations relating to reporting entities. However, the Act is silent on the procedure for such issuance. (b) Accordingly, the issuance of regulations must strictly adhere to the procedure outlined in Section 40(2) of the SECP Act, including publication in newspapers for public comment. As consistently held by superior courts, when the law prescribes a specific manner for performing an act, it must be followed accordingly—any deviation renders the action legally ineffective. Failure to comply with this mandatory process invalidates the regulations, as confirmed in numerous judicial precedents, including *Employees Old-Age Benefit Institution v. Punjab Labour Court No. 5* (2019 PLC 38), *Mst. Alla Riaz v. Government of Punjab* (2015 CLC 1640), *Sharafat Kaleem v. Additional District Judge, Bahawalnagar* (2013 CLC 185), *Bakht Munir v. Qadir Khan* (PLD 2014 Lahore 87), and *Human Rights Cases* (PLD 2010 Supreme Court 759). Similarly, in *Gyindlal Chhagan Lalpatel v. The Agriculture Produce Market* (1976 AIR 263; 1976 SCR (I) 451), the Indian Supreme Court ruled that statutory publication requirements are mandatory, and failure to publish a notification as required invalidates its legal effect. The SECP Appellate Bench echoed this principle in Appeal No. 40 of 2017 (*M/s Lakhani Securities*), emphasizing that actions taken in violation of prescribed legal procedures are unenforceable and contrary to binding judicial precedents.

5. **Section 5(3) of the SECP Act:**

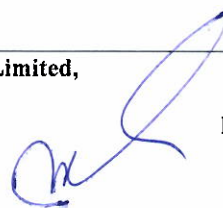
No regulations have been framed by the SECP under this provision to lawfully conduct proceedings pursuant to the issuance of SCNs.

Summary of Submissions on Merit

6. **Alleged Violation of AML Regulations:**

- The Company has taken all reasonable steps to identify and verify the beneficial owners (UBOs) of the five legal persons cited. Detailed information including shareholding structure and controlling persons was duly provided.
- The Company respectfully submits that it has duly identified and screened the beneficial owners of legal persons in full compliance with the applicable legal framework. Accordingly, the Company considers itself to be in compliance with Regulation 13(1) of the Regulations.
- The Show Cause Notice (SCN) alleges that the Company failed to screen its customers or potential customers against the "Proscribed Organizations List" issued by NACTA. This observation must be assessed in the context of Regulation 25(1)(a) of the Regulations, which states:

"25. (1) The regulated person shall undertake TFS obligations under the United Nations (Security Council) Act 1948 and/or the Anti-Terrorism Act 1997 and any regulations made thereunder, including: (a) develop mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential



matches with the stated designated/proscribed persons in the SROs and notifications issued by MoFA, NACTA and Mol..."

- In response to the alleged non-compliance, it is submitted that the Company informed the inspection team that no policies have ever been issued to, nor has any business relationship been established with, any person or entity named in the relevant lists. Furthermore, following engagement between the SECP inspection lead and the Company's Head of Compliance, the Company submitted a detailed description of its screening process and, to the best of its knowledge and belief, understood itself to be in full compliance with all legal obligations.*
- It is respectfully pointed out that the scenario referenced by the inspection team was purely hypothetical. The Company has, in fact, never issued any policies to proscribed organizations. The hypothetical nature of the test question does not support any inference of potential or actual non-compliance. The Company rigorously ensures that no business relationships are initiated without thorough screening and due diligence in line with the Regulations. Screenshots from the Company's database system evidencing this were provided with the Reply.*
- It is further submitted that the regulatory requirement under Regulation 25(1)(a) pertains specifically to the screening of proscribed persons listed in the SROs and notifications issued by MoFA, NACTA, and Mol. There is no legal basis for initiating regulatory action based on hypothetical scenarios. Moreover, neither the inspection order nor any provision of law authorizes findings of non-compliance in the absence of actual violations and on the basis of hypothetical scenarios. The SECP has not identified any instance of the Company issuing policies to proscribed persons or entities. Consequently, no breach of Regulation 25(1)(a) has occurred.*
- In view of the foregoing, it is respectfully requested that no adverse action be taken against the Company. The Company remains committed to full compliance with regulatory requirements in both letter and spirit, as demonstrated throughout the inspection process.*

7. Principles of Uniformity and Equality

Without prejudice to the submissions herein, the Company respectfully submits that it should not be subjected to a penalty for the alleged violation of the AML Regulations in light of Section 20(6)(c) of the SECP Act, which mandates consistency in the exercise of regulatory powers by the SECP in matters of a similar nature. To support this principle of uniform treatment, we refer to the following precedents / orders involving comparable facts and findings where no fine has been imposed:

- (i) National Investment Trust Limited – dated 08 January 2019 and Order dated 06 September, 2019*
- (ii) Jubilee Life Insurance Co. Ltd – dated 24 March 2020*
- (iii) Foundation Securities (Pvt.) Ltd – dated 21 April 2020*
- (iv) Al-Habib Capital Markets (Pvt.) Ltd – dated 03 April 2020*
- (v) HBL Asset Management Ltd – dated 08 February 2019*
- (vi) ABL Asset Management Ltd – dated 27 December 2018*
- (vii) Zahid Latif Khan Securities (Pvt.) Ltd – dated 17 January 2020*
- (viii) Darson Securities (Pvt.) Limited – dated 24 January 2020*
- (ix) BIPL Securities (Pvt.) Limited – dated 03 June 2019*
- (x) Al-Meezan Invest. Managt Ltd – dated 01 January 2019*
- (xi) Surmawala Securities - 14 November 2022*
- (xii) Progressive Securities - 16 December 2022*
- (xiii) HP Securities - 27 May 2022*
- (xiv) Credit Control Service - 01 November 2022*

(xv) GMI Securities - 16 December 2022
(xvi) Kanbraji & Talibuddin - 01 November 2022

A departure from the approach adopted in these precedents would amount to arbitrary and unequal treatment, contrary to the intent of Section 20(6)(c) of the SECP Act. In this regard, reliance is placed on the judgment of the Hon'ble Appellate Bench in ANS Capital (Pvt.) Limited v. Director (SMD), reported as 2017 CLD 686, where it was held:

"The Bench has also observed that the Respondents have taken different actions for the same default in the past. This act tantamounts to discrimination. Law requires equal and fair treatment... The Commission should have a uniform approach in exercising powers."

The principle of uniformity was similarly upheld by the Lahore High Court in the unreported judgment Nishat Mills Limited v. SECP Appellate Bench, where it was observed:

"The SECP condoned delays in various similar cases on the basis of undertakings... but failed to apply the same standard in the appellant's case... This amounted to discriminatory treatment..."

The Supreme Court of Pakistan, in Mst. Gul Jan v. Naik Muhammad (PLD 2012 SC 421), cautioned against inconsistency in legal application, emphasizing:

"The raison d'être of all laws is to regulate society through uniformity... When exceptions are artificially created or laws are disregarded, it leads to injustice and social disharmony."

In view of the foregoing judicial pronouncements and SECP's own consistent regulatory practice in similar matters, it is respectfully submitted that the law must be applied fairly and consistently in accordance with Article 25 of the Constitution of Pakistan and Section 20(6)(c) of the SECP Act.

8. **Technical violations penal provisions**

It is further submitted that the SECP may not penalize purely technical violations/hypothetical scenarios in the absence of a substantial finding of guilt as specifically instructed by the Supreme Court of Pakistan in the case of Securities and Exchange Commission of Pakistan v. First Capital Securities Corporation Limited (2011 PLD 778) in the following manner:

"20. It should also be clarified that since the penal provision is stringent in nature it should be applied in an appropriate manner. In applying such a provision SECP should always bear in mind the importance of determining not merely a technical contravention but a substantial finding of guilt in relation to the person on whom the fine or penalty is being levied. It is not sufficient either in the case of this law, or any other law, merely on the basis of a technical contravention to arbitrarily impose a fine of either the full amount or 50% or 75% or any other arbitrarily chosen figure; a condign punishment is the requirement of law and equity.

21. In view of the aforesaid, this appeal has no merits and is hereby dismissed."

In this regard the Sanction Rules themselves specify parameters for the imposition of penalties under Rule 4(1) of the Sanction Rules which provision is to be read with Rule 4(2) and (3) of the Sanction Rules which provide as under:

"(2) The AML/CFT regulatory authority may not impose a sanction on a person if the authority is satisfied that the reporting entity took all reasonable steps and exercised all due diligence to ensure that the requirement would be complied with.

(3) When determining the sanction to be imposed as set out in subsection (1), and any penalty to be imposed on a person, the AML/CFT Regulatory Authority shall take into account all relevant circumstances, including where appropriate:

(i) the gravity and the duration of the contravention or failure;
(ii) The type of sanction and penalty amount necessary to constitute a dissuasive, proportionate and effective sanction in respect of the contravention;
(iii) the person's history of compliance with the Act and any regulations made thereunder, including:

(a) any potential systemic consequences of the contravention; or

(b) previous contraventions by the person

(iv) the financial strength of the Reporting Entity;

(v) the amount of profits gained or losses avoided by the person;

(vi) remedial measures taken by the person to address the cause of the contravention;

(vii) the extent to which the contravention was negligent or willful; or

(viii) any other factor deemed appropriate by the AML/CFT Regulatory Authority."

9. FATF Framework and Its Application to the General Insurance Sector

(a) It is respectfully submitted that the anti-money laundering (AML) framework implemented by the SECP has been developed in line with the assessment methodology and recommendations issued by the Financial Action Task Force (FATF), as reflected in the SECP's press releases dated 26 September 2023 and 20 June 2018. However, it is pertinent to note that FATF has not included non-life (general) insurers within the scope of its recommendations, owing to the minimal risk of money laundering (ML) and terrorist financing (TF) associated with this segment of the insurance industry.

(b) In line with the FATF's risk-based approach, it is submitted that the SECP may assess the level of ML/TF risk posed by the general insurance sector and issue customized regulations or guidance accordingly—consistent with international practices—to facilitate ease of compliance for non-life insurers. The rationale for excluding general insurers from strict AML/CFT obligations is well-grounded in risk considerations. Specifically:

- General insurance transactions rarely involve scenarios where funds are returned to clients, and premium or claim payments are strictly routed through the banking system, which is itself subject to robust AML/CFT oversight by the State Bank of Pakistan.*
- Claims in general insurance are only disbursed based on independently issued surveyor reports. These surveyors are registered with the SECP and are professionally qualified. Moreover, all claims are paid via crossed cheques in the name of policyholders and are subject to senior management approval.*
- The payment process in general insurance is highly regulated, leaving little room for abuse or illicit financial activity.*

(c) FATF itself acknowledges this low-risk profile in its publication "Guidance for a Risk-Based Approach: Life Insurance Sector", stating in paragraph 6:

"6. This Guidance does not target:

- non-life insurance activities. The FATF Glossary excludes non-life insurance activities from the activities performed by "financial institutions" which fall under the scope of the FATF requirements. As a result, the FATF Recommendations do not apply to non-life insurance (even if the non-life insurance activities are within the scope of financial sanctions regimes). However, as with almost all commercial activities, there may be some scenarios in which non-life insurance products might be misused for ML and TF purposes. That is why a minority of jurisdictions included non-life insurance activities in their AML/CFT framework, based on their specific, national risk evaluations. In this case, insurance supervisors and other competent authorities should provide interested stakeholders with information on specific, potential ML/TF risks and typologies, and provide tailored guidance for the application of AML/CFT measures to non-life insurance activities. An example where non-life insurance products might be misused for ML and TF is the utilization of illicit funds for the payment of premiums, or a significant overpayment of premiums followed by a refund request for the full amount or the amount overpaid." (emphasis provided)."

(d) The Global Federation of Insurance Associations (GFIA) echoed this position in its comments dated 17 August 2018:

"Application of the Guidance to the Non-Life and Reinsurance Sectors

I. General Insurance

GFIA is of the view that the application of the guidance to the non-life sector is an aspect that should not be pursued. There is a recognition that the FATF Recommendations exclude non-life insurance and a statement that the annexes dealing with general (non-life) insurance and reinsurance are for information purposes only and are not intended to expand the scope of the Recommendations. Nevertheless, the FATF Guidance is authoritative and countries which do not currently include these categories of insurance within their AML/CTF regimes may take this as a signal of what is expected internationally. There is, appropriately, a focus in the FATF Recommendations and Guidance on the risk-based approach. The Guidance recognises that there is very little risk that general insurance will be used for nefarious purposes. Supervisory and corporate resources should not be directed towards a sector where the risk of money laundering is, at best, peripheral. Accordingly, GFIA recommends removing Annex A, and ensuring that references to "insurance" in the document are clarified to indicate that they apply to the life sector only."

Its recent position paper dated 06 May, 2021 states as follows:

"...GFIA was concerned to see through its own engagement and that of its members with policymakers, that there are still some stakeholders pushing for AML/CFT rules to be applied to the general insurance business, despite its close to non-existent risk exposure to ML/TF risks."

(e) These international perspectives—issued by bodies recognized for their authority in the global insurance landscape—clearly establish that general insurance carries negligible ML/TF risk and does not warrant the application of full AML/CFT protocols unless national risk assessments suggest otherwise.

Accordingly, the Company submits that in the absence of tailored, sector-specific AML/CFT guidance for non-life insurers—as envisioned in FATF's own recommendations—compliance expectations must be aligned with the actual risk and global standards. We request that this context be duly considered when assessing the perceived non-compliances.

13. I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the record available, written as well as verbal submissions and arguments of the Respondent/Authorised Representative and have observed as under:

Submissions on Jurisdictional and Procedural Issues:

- (a) The Respondent has contended that the Commission cannot delegate powers under the AML Act to its officers as the AML Act is not included in Schedule I of the SECP Act as an administered legislation. The Respondent has further stated that Section 10 of the SECP Act empowers the Commission to delegate functions or powers conferred on it under an administered legislation or the SECP Act. The Respondent has placed reliance on the case law cited as Muhammad Ashraf Tawana vs SECP (2013 SCMR 1159) in support of its argument that the SECP cannot delegate its powers under the AML Act.

In this regard, it is stated that the AML Act is a special law for prevention of money laundering and combating financing of terrorism, which was enacted through an Act of the Parliament and Schedule-IV thereto was added vide amendment in the AML Act and notified in official Gazette vide Notification No. F.22(50)/2020-Legis dated September 24, 2020. Clause (ii) of Schedule-IV to the AML Act explicitly declares the Commission as the AML/CFT Regulatory Authority for reporting entities licensed or regulated by it under any administered law. Pursuant to Section 6A of the AML Act, the AML/CFT regulatory authority shall exercise the powers and perform the functions as set out in the AML Act and as prescribed thereunder. Hence the Commission being, the AML/CFT regulatory authority under the AML Act is fully empowered with respect to issuing regulations, monitoring and supervising, including conducting inspections, for the purpose of determining compliance with the requirements of AML Act and any rules or regulations made thereunder in respect of the reporting entities.

In view of above, it is crystal clear that AML Act is an administered legislation of the Commission and accordingly, as conferred by Section 6A of the AML Act, the Commission promulgated the AML Regulations, exercised the powers and performed the functions as set out in the AML Act.

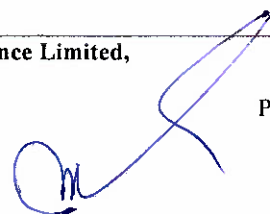
In terms of Section 10 of the SECP Act, the Commission is fully empowered to delegate its functions or powers under the SECP Act or any administered legislation (inserted through SECP Amendment Act, 2016 dated August 6, 2016) to one or more Commissioners or any officer of the Commission. Therefore, the delegation of functions and powers under the AML Act to its officers is rightly and duly made and notified by the Commission.

Further, the facts of the case law (Muhammad Ashraf Tawana vs SECP) is not relevant to the merits and facts of the instant case as it has been held in the case law that hiring and firing of employees is a highly significant matter involving personal judgement of the Commissioners and Chairman and insertion of an exclusive Section 8 in the SECP Act on "*Appointment of employees of the Commission*" has made it clear that it is not an ordinary function of the Commission, therefore, the Commission cannot delegate such powers to individuals. However, the Respondent's case falls under the ordinary and routine functions of the Commission, therefore, the powers to exercise such function has been specifically delegated under Section 10 of the SECP Act. In view thereof, the Respondent's assertion is not tenable being a misconceived notion.

- (b) The contention of the Respondent that in the absence of a formally issued risk-based penalty scale by the Commission, the imposition of any penalty under the AML

Sanctions Rules would be procedurally defective is legally unfounded. Rule 6 of the AML Sanction Rules clearly requires that penalties be applied in accordance with the risk-based penalty scale of the respective AML regulatory authority; however, it does not mandate the issuance or publication of the penalty scale.

- (c) As far as the submissions of the Respondent regarding intimation of right of appeal through the notice are concerned, in this regard, Rule 7 of the AML Sanctions Rules, inter alia, provides that "*When an AML/CFT Regulatory Authority or Oversight Body for SRBs imposes a sanction, it shall issue a notice in writing to the person or SRB in question the right of the person to appeal the sanctions imposed and the process by which an appeal may be filed.*" Therefore, the argument of the Respondent is untenable as issuance of such notice is considered in this Order. Further, the cited Judicial precedents include **2013 PTD 1536** and *Walk Limited* are misconstrued having different facts from the instant matter.
- (d) *The Respondent's contention that the AML Regulations are invalid due to non-compliance with the requirements of Section 40(2) of the SECP Act is misconceived. The AML Regulations have been promulgated under Section 6A of the AML Act after complying with the applicable requirement, therefore, the argument of the Respondent is untenable. The cited judicial precedents, including *Employees Old-Age Benefit Institution v. Punjab Labour Court No. 5 (2019 PLC 38)*, *Mst. Alla Riaz v. Government of Punjab (2015 CLC 1640)*, *Sharafat Kaleem v. Additional District Judge, Bahawalnagar (2013 CLC 185)*, *Bakht Munir v. Qadir Khan (PLD 2014 Lahore 87)*, and *Human Rights Cases (PLD 2010 Supreme Court 759)*. Similarly, in *Gyindlal Chhagan Lalpatel v. The Agriculture Produce Market (1976 AIR 263; 1976 SCR (I) 451)*, are misapplied.*
- (e) The Respondent's argument based on a document of GFIA that the AML Regulations for non-life insurers exceed FATF standards is legally flawed. While the Section 6A of the AML Act, 2010 explicitly empowers the Commission to make regulations in respect of reporting entities and imposing sanctions.
- (f) The Respondent's argument that the Commission lacks lawful authority to issue SCN or initiate the proceedings due to the absence of specific regulations does not hold grounds. The AML Act, the AML Sanction Rules, and the AML Regulations provide a comprehensive legal framework for AML enforcement actions.
- (g) The Respondent, in support of its argument in respect of lawful authority of the adjudication division of the Commission for adjudication in the matter has presented *case law reported as 2024 SC 230, 2023 SCP 335 (M/s Fun Infotainment (Private) Limited vs Pakistan Electronic Media Authority) and 2023 SCMR 1043, and 2023 SCP 132 (Pakistan Electronic Media Authority vs Pakistan Broadcasters Association)*. In this regard it is mentioned that the cited case laws have been misconstrued, due to distinguish facts. Further, the matter pertains to 'lawful authority' has been discussed in para 13(a) above.
- (h) The Respondent, in support of its argument for uniform application of the provisions of the law in the instant matter, has relied on certain orders passed by the Commission where in most of the cases, monetary penalty has not been imposed. In this regard, it is stated that every case has to be decided on its own merits and facts; therefore, the mechanical application of the precedents is neither desirable nor mandatory. In the referred cases, the adjudicating authority decided the cases based on peculiar facts and



mitigating factors placed before the adjudicating authority; therefore, the provided orders not binding in the instant matter. Further, the written as well as verbal submissions of the Respondent /Authorized Representative and record available with the Commission has been considered while disposing of the instant proceedings in light of the applicable provisions of the AML Law.

Submissions on Merits of the Case:

- (i) The analysis of the response of the Respondent in respect of each case highlighted in the SCN has revealed as under:

Customer/ Legal Person	Observations
<u>Customer</u> TFSL <u>Legal Person:</u> FT	The Regulation 13 requires that for the customers that are legal persons, the regulated person shall identify and verify the natural person behind the entity. The submission made by the Respondent that the licensing authority issued license after thorough AML/CFT compliance and identification of UBOs of TFSL in itself an admission on its part that the Respondent has not identified and verified the beneficial owner of customer who is legal person. Therefore, the contravention with the requirements of Regulation 13(1) of the AML Regulations has been established. However, the Respondent <i>subsequently in response to SCN</i> has submitted that FT own 99.7% of TFSL with Mr. SB as the beneficial owner of TFSL.
<u>Customer</u> CAL <u>Legal Person:</u> BTW	The Respondent <i>in response to SCN</i> has submitted that Mr. BIS, Mr. WA and Mr. TIR are Controlling Beneficial Owners of BTW, each one of them holding approx. 33.3% shares. It is important to note that the Respondent failed to identify and verify the beneficial owners of its customer who is legal person unless the SCN was issued. Therefore, the contravention with the requirements of Regulation 13(1) of the AML Regulations has been established.
<u>Customer</u> TRGP <u>Legal Person:</u> GH	The Respondent <i>in response to SCN</i> has submitted that Mr. AA is Controlling Beneficial Owners of TRGP. It is important to note that the Respondent failed to identify and verify the beneficial owners of its customer who is legal person unless the SCN was issued. Therefore, the contravention with the requirements of Regulation 13(1) of the AML Regulations has been established.
<u>Customer</u> SHL <u>Legal Person:</u> GI FZE	The Respondent <i>in response to SCN</i> has merely identified GI FZE as the legal person in the instant case; however, the Respondent failed to identify/verify and provide any beneficial owner thereof. Therefore, the contravention with the requirements of Regulation 13(1) of the AML Regulations has been established.
<u>Customer</u> MTML <u>Legal Person:</u> HII	The Respondent <i>in response to SCN</i> has stated that it is a co-insurer case wherein the lead insure has done its due diligence and Respondent has requested the co-insurer for beneficial owner information. In this regard, it was the obligation of the Respondent to identify and verify the beneficial owners. However, the said information has not yet been obtained by the Respondent, which constitutes contravention of Regulation 13(1) of the AML Regulations.

- (ii) Review of the submissions of the Respondent, in respect of violation of Regulation 13(1) of the AML Regulations, revealed that the Respondent has failed to identify and verify beneficial owners. The Section 2(iv) of the AML Act while defining the 'Beneficial Owner' provides that "*Beneficial Owner means-(a) natural person who*

ultimately owns or controls a customer or the natural person on whose behalf a transaction is being conducted; or (b) natural person who exercises ultimate effective control over a legal person or legal arrangement”.

- (iii) It is important to note that the Respondent in response to LOF in respect of afore-said non-compliance of Regulation 13(1) of the AML Regulations stated as under:

“KYC of the principal insured has been done. However, it is some time not possible and practicable to get UBO details especially in case of international shareholding. However, we are making efforts to do this to hope to comply for above companies shortly”.

From above it transpired that the Respondent had not identified and verified the beneficial owner of above stated customers that are legal persons. Further, non-identification and verification of the beneficial owners in a timely manner compromises the applicability of AML Laws.

- (iv) The Respondent has contended that Regulation 25(1)(a) requires screening against only proscribed persons. In this regard, definition of “proscribed persons” as given under Regulation 3(1)(qa) of the AML Regulations, which provides that “*Proscribed Person*” means an individual or entity proscribed under the Anti-Terrorism Act, 1997.” Therefore, the Respondent required to undertake screening of its customers against the proscribed entities as well. In this regard, it has been noted that during the course of inspection proceedings when the Respondent was enquired whether it would issue policies to the referred entities i.e. i) Al Madina Foundation, Lahore; and ii) Maymar Trust, the Respondent replied that “*No record found of the provided names*”.

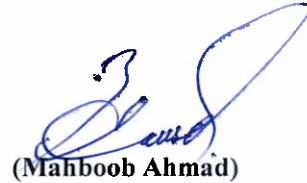
The Respondent while clarifying its position in the matter has stated that the test question posed by the inspection team was a hypothetical one and the reply to the query was given on the understanding that the inspection team wants to get confirmation that any policy issued to entities mentioned in the query. The Respondent also stated that it has not issued any policy in the names of the proscribed organizations.

Furthermore, it has also been stated that the Respondent takes utmost care to establish business relations with customers only after proper screening and due diligence in terms of the AML Regulations. Considering the stance of the Respondent that there is some confusion in understanding the hypothetical query, no insurance policy was issued to the referred proscribed entities and it establishes business relationship with the customers only after proper screening and customer due diligence. In view of the forgoing contravention of Regulation 25(1)(a) of the AML Regulations has not been established, therefore, no monetary penalty is imposed in this regard. However, the Respondent is hereby advised to ensure meticulous compliance with requirements of Regulation 25(1)(a) of the AML Regulations.

14. In view of the foregoing, the contraventions of Regulations 13(1) of the AML Regulations have been established, which attract the applicability of Section 6A(2)(h) of the AML Act and Rules 4(1)(a) and 6(1) of the AML Sanctions Rules read with Regulation 31 of the AML Regulations. I, therefore, in exercise of the powers conferred under Section 6A(2)(h) of the AML Act read with Regulation 31 of the AML Regulations and S.R.O. 827(I)/2022 dated June 9, 2022, impose a penalty of **Rs. 60,000/- (Rupees Sixty Thousand Only)** on the Respondent on account of the established defaults.

15. The Respondent Company is, hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings will be initiated for recovery of the penalty pursuant to provisions of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.

16. Without prejudice to the above, in case Respondent is aggrieved by this Order may, within thirty days of the Order, prefer an appeal to Appellate Bench of the Commission in terms of Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 in accordance with the procedure for filing an appeal as laid down under the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.



(Mahboob Ahmad)
Additional Director / Head of Wing
Licensed Entities - Adjudication Department-I

Announced:
August 01, 2025
Islamabad.