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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Order	
Name of Company:	M/s. Habib Insurance Company Limited
Show Cause Notice No. & Issue Date:	ID/Enf/Habib/2025-309 dated February 07, 2025
Respondent(s):	M/s. Habib Insurance Company Limited
Date(s) of Hearings:	April 21, 2025
Present at the Hearing:	(i) Syed Ather Abbas, Chief Executive Officer (ii) Mr. Murtaza Hussain, Chief Financial Officer
Provisions 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 15, 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/Habib/2025-309 dated February 07, 2025 (“SCN”) against M/s. Habib Insurance Company 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 June 30, 2023 was conducted in pursuance of Inspection Order dated August 3, 2023 passed to evaluate its compliance with the AML Regulations. Letter of Findings (LOF) dated October 19, 2023 and Inspection Report dated December 7, 2023 were duly shared with the Company.

6. During the review of the record of corporate customers of the Company on sample basis, it was noted that in case of a referred corporate customer i.e. HNR, though its major corporate shareholder i.e. HSIHL having 32% shareholding was identified but no further information/documents were obtained to verify the identity of natural person(s) (i.e. Ultimate Beneficial Owner-UBO) behind the corporate shareholder. In view of the aforesaid, the Company, *prima facie*, contravened the requirements of Regulation 13(1) of the AML Regulations.

7. It was also observed during review of record of twenty-eight (28) corporate customers/entities selected on random sample basis that in case of six (6) referred corporate customers/entities (including partnerships, trusts and associations), the Company did not have the relevant information/details for the purpose of screening. Further, the information regarding major shareholders, directors, partners, trustees/members and authorised representatives of customers/entities were ***also not entered in MS Excel database*** being used by the Company for screening, which transpired that the database is incomplete and inadequate. The missing details in respect of the referred six (6) customers/entities are as under:

Sr. No.	Entity/ Corporate Customer	Details of: i. Directors (in case of Corporate Entity) ii. Partners (In case of Partnership) iii. Members/Trustees (In case of Association/Trust)	Shareholding of Directors (In case of Corporate Entity/ Limited Company)	Details of Authorized Signatories
1.	VNT	✓	49%	✓
2.	GTM	✓	*N/A	N/A
3.	DPL	✓	N/A	✓
4.	MH	✓	N/A	N/A
5.	ZMO	✓	i. 32.88% ii. 34.24% iii. 32.88%	N/A
6.	ARLCW	✓	N/A	✓

✓ Missing Details
N/A: Not Applicable

In view of the aforesaid observations, the Company, *prima facie*, contravened the requirements of Regulation 25(1)(a) of the AML Regulations.

8. 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.

9. In response to the SCN, the Company vide letter dated February 18, 2025, *inter alia*, made the following submissions:

"In response to your observation in Opening Paragraph and Paragraph 5 of the SCN, we would like to provide the following clarifications and information regarding the identification of Ultimate Beneficial Owners (UBOs) for the mentioned corporate client. HSIHL is one of the major shareholder of HNR. The shareholding structure of HNR is as follows:

Name	Shareholding(%)
Shah Faisal	33.3675
Shah Khalid	19.2432
Muhammad Javed Afridi	15.6688
Huang Decheng	0.0002
Shao Zhenhu	0.0002
HSIHL	31.7200

In view of the shareholding pattern of HNR, we have already provided identification details of all natural persons holding major and minor shareholdings, which collectively account for approximately 68% of the company's shares. It is also pertinent to mention that the HNR is not directly insured with Habib Insurance Company Limited and is in the lead of another insurance company. Due to this arrangement, we do not have direct contact with the customer, making it challenging to obtain the required UBO documents. Furthermore, we had requested the lead insurance company multiple times to provide us with the UBO details of HSHIL. However, despite our diligent efforts, we did not receive the requested details from the leader.

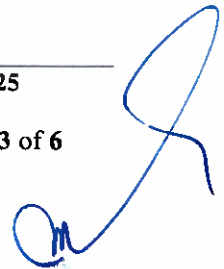
Please note that in the insurance industry, it is a common practice when an insurance company follows a lead insure, it relies on the information available with the lead insurer. Thus, our ability to access UBO information in such cases is contingent on the lead insurer's cooperation.

We understand the importance of adhering to Regulation 13 of the AML/CFT Regulations, 2020 and we remain committed to ensuring compliance.

With regard to paragraph 2, 3, and 4 of the SCN, Habib Insurance Company has a robust AML/KYC software, and policyholder details are captured within this system. However, previously, for corporate clients, the system did not allow us to capture the details of shareholders, directors, partners, authorized signatories, and trustees/members of corporate entities. Therefore, these details were maintained separately through an MS Excel-based database.

To address the concerns raised during the onsite inspection, we had taken the following actions:

We initiated the process of enhancing our AML/KYC software to record the necessary details of authorised signatories, directors, and shareholders. This enhancement is currently in the real-time testing phase, with data being transferred into the system. Once fully implemented, it will ensure that complete information is available within the software for screening and monitoring purposes.



Furthermore, to ensure completeness of our record during this transition period, until the enhanced capability becomes fully operational, we are maintaining an MS-Excel-based database of all relevant details, including authorized signatories, directors and shareholders.

With regard to paragraph 6 of the SCN, Habib Insurance Company has up-to-date, complete information on the six mentioned companies, including major shareholders, directors, partners, trustees/members, and authorised representatives of customers/entities which is now provided.

We are fully committed to comply with the regulations, and these measures demonstrate our dedication to rectify the issues in the aforesaid paragraph of the SCN. We will continue to ensure completeness of our policyholders' databases in full adherence to Regulation 25(1)(a) of the AML/CFT Regulations, 2020.

In view of the preceding submissions, HICL respectfully submits that there has been no contravention. However, without prejudice to HICL's position and without admitting any contravention, if the Hon'ble Commission does not concur with our submissions, then lenient view may be taken in the interest of justice as HICL has acted in good faith and in national interest, with no intentions to violate any provisions of law."

10. In order to provide the Respondent an opportunity of personal representation, hearing in the matter was fixed for April 21, 2025. The said hearing was attended by Syed Ather Abbas, Chief Executive Officer and Mr. Murtaza Hussain, Chief Financial Officer as the Authorised Representatives of the Respondent (**the Authorised Representatives**). During the hearing, the Authorised Representatives stated that in case of co-insurance arrangements, the responsibility for identification of beneficial owners of customers rests with the lead insurer. The Respondent, being a follower in such cases, do not have access to the required documents for identification of beneficial owners of customers. The Authorised Representatives further submitted that the inspection team was apprised that the Company is actively making efforts to ensure that information in respect of shareholders, directors, partners, authorized signatories, and trustees/members of the corporate entities is incorporated in the Company's database. The accomplishment of this task will result in effective screening. The Authorised Representatives requested that a lenient view may be taken in the matter.

11. 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 Representatives and have observed as under:

- (i) Review of the submissions of the Respondent on the observation regarding Regulation 13(1) of the AML Regulations shows that the Respondent has failed to demonstrate that reasonable measures were taken to establish the identification of the beneficial owner and verification thereof in case of its corporate customer (HNR) as no documentary evidence produced for any such effort made by the Respondent to obtain and verify the beneficial owners of HNR. The Respondent has expressed its inability to obtain the documents required for identification of beneficial owner in case of HSHIL, who holds 31.72% shares in HNR. The Respondent has contended that in the instant case of co-insurance arrangement with regard to HNR, it relied on lead insurer for identification of beneficial owner. It is pertinent to mention that 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”. Furthermore, pursuant to Regulation 24 of the AML Regulations, a regulated person may rely on third party to conduct the CDD measures on its behalf, provided that it shall immediately obtain from the Third Party the required information/documents concerning the CDD measures and it shall remain liable for any failure to apply the CDD measures. However, the Respondent has failed to establish identification and verification of the beneficial owner, which constitutes contravention of Section 13(1) of the AML Regulations.

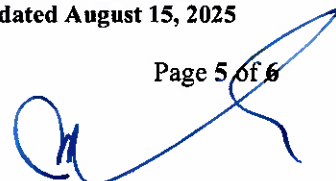
(ii) With regard to the observation regarding non-availability of information in respect of shareholders, directors, partners, trustees/members of its referred six (6) customers/entities for the purpose of screening against the proscribed persons/entities, the Respondent has admitted vide letter dated February 18, 2025 that previously, its AML Software/System did not allow it to capture the details of shareholders, directors, partners, authorized signatories, and trustees/members of corporate entities. Therefore, these details were being maintained separately through an MS Excel-based database. In response to LOF, the Respondent *inter alia* stated as under:

- (i) *To ensure the completeness of our record, we have recorded the missing details for shareholders, directors, partners, authorized signatories, and trustees/members highlighted by the onsite inspection team.*
- (ii) *We are also conducting a thorough review of the two MS Excel-based databases that are being used to record these details. This review is aimed to ensure that the MIS is complete and up to date, and that all necessary information is correctly recorded for effective screening and monitoring.*

The Respondent in response to the SCN has subsequently provided the details of the shareholders, directors, partners and trustees/members of its referred six (6) customers/entities, but this cannot absolve of the Respondent from the committed default. Therefore, the Respondent has failed to develop mechanism, processes and procedures for effective and reliable screening and monitoring its customers, potential customers and beneficial owners/associates of customers to screen them against the proscribed persons/entities, which establishes contravention of the requirements of Regulation 25(1)(a) of the AML Regulations.

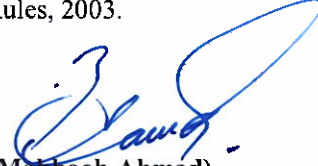
12. In view of the foregoing, the contraventions of Regulation 13(1) and Regulation 25(1)(a) of the AML Regulations have been established, which attract the applicability of Section 6A(2)(h) of the AML Act and Rules 4(1)(a) and 6(1) of the AML Sanctions Rules read with Regulation 31 of the AML Regulations. 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. 84,000/- (Rupees Eighty Four Thousand Only)** on the Respondent on account of the aforesaid established defaults.

13. 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.

14. Without prejudice to the above, in case the Respondent is aggrieved by this Order, the Respondent may, within thirty days of the Order, prefer an appeal to the 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.



(Manboob Ahmad)

Additional Director / Head of Wing
Licensed Entities - Adjudication Department-I

Announced: August 15, 2025
Islamabad.