



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	IGI General Insurance Limited
Number and Date of Show Cause Notice:	No. ID/Enf/IGIGeneral/2017/383 August 29, 2024
Respondent(s):	IGI General Insurance Limited (through its Chief Executive officer)
Date(s) of Hearing(s):	November 13, 2024
Present at the Hearing:	Mr. Faisal Khan, Chief Executive Officer Mr. Muhammad Hisham, Chief Operating Officer Ms. Saira Sheikh, Compliance Officer Syed Awais Amjad, Chief Financial Officer Ms. Saniya Saeed Khan, Company Secretary
Provisions of Law Involved:	Regulations 8, 9 read with Note (i) of Annex-1, Regulations 11 and 16 of the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 read with Regulation 31 thereof and Section 6A(2)(h) of the Anti-Money Laundering Act, 2010 and Rules 4(1)(a) and 6(1) of the AML/CFT Sanctions Rules, 2020

This Order shall dispose of the proceedings initiated vide Show-Cause Notice No. ID/Enf/IGIGeneral/2017/383 dated August 29, 2024 (**the SCN**) by the Securities and Exchange Commission of Pakistan (**the Commission**) against **IGI General Insurance Limited (the Company and/or the Respondent)** under Regulations 8 and 9 read with Note (i) of Annex-1, Regulations 11 and 16 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. An onsite inspection of the Company was conducted in pursuance of Inspection Order dated February 26, 2024 passed under Section 6A(2)(f) of the AML Act to evaluate its compliance with the applicable AML regulatory framework. The findings of the inspection team were shared with the management of the Company through Letter of Findings (**LOF**) dated June 07, 2024 and the Inspection Report dated July 09, 2024.

3. During the review of the compliance status of the Respondent with the requirements of the AML Regulations for the period from January 1, 2023 to December 31, 2023 (**the Review Period**), it was observed that:

- Upon review of 'Know Your Customer/Customer Due Diligence' (KYC/CDD) Forms and related record of customers (policyholders) of the Company on sample basis, it was noted that certain information regarding policyholders was incomplete on the Forms. The basic information of policyholders such as email address, date of birth and father's/mother's name were found missing on KYC/CDD Forms of the following three (3) instances of policyholders:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I Adjudication Division

Customer's Name	Missing Information
AK	Email, Date of Birth, Father's Name
AJB	Email, Date of Birth, Father's Name
AF	Email, Date of Birth, Mother's Name

- b) In view of the above, the Company, prima facie, contravened the requirements of Regulation 8 and Regulation 9 read with sub-notes (b), (c), (f), & (i) of Note (i) of the AML Regulations.
- c) There is no specific process or mechanism in place for identifying the beneficial owners of customers, and as a result, the beneficial owner is not established. The foregoing fact was confirmed during the inspection proceedings, when the inspection team noted that no documents were available with the Company for identifying beneficial owners of its customers (policyholders). Additionally, it was also observed that no information regarding the beneficial owners was available in the database system of the Company. Therefore, the Company failed to demonstrate that reasonable measures were taken for identification and verification of identity of customers and their beneficial owners in respect of following instances:
- i) M/s. BCL (where 56.43% shares are held by BIHL);
 - ii) M/s. KTML (where 27.25% shares are owned by MMI and 20.52% shares are owned by HPL);
 - iii) M/s. MBCL
- d) In view of the above, the Company, prima facie, contravened the requirements of Regulation 11 and Regulation 16 of the AML Regulations.
4. The aforesaid violations attract the penal provisions contained in Regulation 31 of the AML Regulations read with Section 6A(2)(h) of the AML Act and Rule 4(1)(a) and 6(1) of the AML Sanctions Rules.
5. While taking cognizance in the matter, the SCN was served on the Respondent/Company calling upon it to show cause in writing within 14 days of the date of the SCN as to why penalty may not be imposed on it for contravening the aforesaid provisions of the law.
6. The relevant provisions of the law are reproduced as under:

Regulation 8 of the AML Regulations:

8. Customer Due Diligence-(1) The regulated person shall conduct CDD in the circumstances and matters set out in section 7A(1) and 7(E) of the AML Act.

(2) For the purposes of conducting CDD as required under section 7A(2) of the AML Act every regulated person shall comply with Regulations 9-25 of these Regulations.

Regulation 9 of the AML Regulations:

9. The regulated person shall:

(a) identify the customer; and

(b) verify the identity of that customer using reliable and independent documents, data and information as set out in Annex 1.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I Adjudication Division

Note (i) Annexure 1 of the AML Regulations:

- (i) For due diligence purposes, at the minimum following information shall also be obtained and recorded on KYC (Know Your Customer)/CDD form or account opening form":
- (b) Father/Spouse Name as per identity document;
 - (c) Mother Maiden Name;
 - (f) Contact telephone number(s) and e-mail (as applicable);
 - (i) Date of birth, place of birth;

Regulation 11 of the AML Regulations:

The regulated person shall also identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner by using reliable and independent document, data or sources of information as set out in Annex 1, such that the regulated person is satisfied that it knows who the beneficial owner is.

Regulation 16 of the AML Regulations:

The regulated person should verify the identify the customer and beneficial owner before establishing a business relationship or during the course of establishing a business relationship.

Regulations 31 of the AML Regulations:

Any contravention of these Regulations shall be cognizable by the Commission in accordance with section 6A of the AML Act and liable to sanction provided in the AML/CFT Sanctions Rules, 2020 and imposed by the Commission according to Clause (h) of Sub-section (2) of Section 6A of AML Act.

Rules 4(1)(a) of the AML Sanctions Rules:

- (1) On any contravention as set out in rule 3(2), any or all of the following sanctions may be imposed by the concerned AML/CFT Regulatory Authority, namely:-
- (a) Impose a monetary penalty in accordance with these Rules;

Rules 6(1) of the AML Sanctions Rules:

- (1) The AML/CFT Regulatory Authority shall apply monetary penalties upto Rs. 100 Million per violation, in accordance with the risk-based penalty scale of the respective AML/CFT Regulatory Authority.

Section 6(A)(2)(h) of the AML Act:

(h) impose sanctions, including monetary and administrative penalties to the extent and in the manners as may be prescribed, upon their respective reporting entity, including its directors and senior management and officers, who violates any requirement in section 7(1), 7(3) to 7(6) and 7A to 7H and any rules or Regulations made thereunder or those who fail to comply with the TFS Regulations. Any person aggrieved by the imposition of sanctions under this clause may prefer an appeal in such manner and within such period to such authority as may be prescribed;

7. The Respondent vide letter dated September 11, 2023 submitted its reply to the SCN, the relevant extracts of which are as under:

- (a) An onsite inspection of the Company was carried out in pursuance of Inspection Order dated February 26, 2024. The findings of the Inspection Team were shared with the Company through LOF dated June 07, 2024 which was duly responded to by the Company on June 28, 2024.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I Adjudication Division

- (b) The KYC/CDD Forms of three Individual customers were reviewed by the Inspection Team and it transpired that the aforesaid Forms were partially filled in respect of CDD of these customers.
- (c) The Company has put in place an effective mechanism for identifying the beneficial owners of its customers and their subsequent recording in its database. As a first step, the customers are required to disclose all such shareholders (both corporate and individual) on the KYC Forms who hold more than 10% shareholding in the entity. Then the Company checks the details of directors and/or owners for identification of beneficial owners through the customer's Form A and also scrutinizes the annual reports for this purpose, where applicable. After identification, the identity of beneficial owners is verified and their screening is carried out using the LSEG Refinitiv World-Check One system. The available information about the beneficial owners is then subsequently entered into the database. Based on the available information, the database is then updated on an annual basis i.e. at the time of policy renewal.
- (d) The Inspection Team also reviewed the "Party Setup" report which contains the details of the beneficial owners' data entered in the Company's database.
- (e) The beneficial owners' details of the three named customers provided through email dated May 21, 2024 to the Inspection team stated the percentage of shareholding in the named clients. These details were available with the Company and had been obtained by adopting the mechanism for identification of beneficial owners.
- (f) The CDD information of the three named customers is attached with the reply. Hence, the information required for identification of the beneficial owners has been available with the Company. The Company has not been in violation of the AML Regulations.

8. In order to provide the Respondent Company an opportunity of personal representation, hearing in the matter was fixed for November 13, 2024, wherein Mr. Faisal Khan (CEO) and Syed Awais Amjad (CFO) appeared as the Authorized Representative of the Respondent (**the Authorised Representatives**). The Authorised Representatives reiterated the submissions and arguments made in the written response dated September 11, 2024, which may be summarized as under:

- (a) The three individual customers (AK, AJB, AF) did not mention the highlighted information on their KYC/CDD Forms. However, screening of the said customers had been carried out based on the available information.
- (b) Email address is not a mandatory information for the purpose of CDD.
- (c) The Company obtains beneficial owners' information from its customers which is also entered in the database.
- (d) The beneficial owners' information pertaining to the three (3) highlighted corporate customers (BCL, KTML, MBCL) was provided to the inspection team subsequent to the inspection. However, the said email did not contain any supporting documents.

9. I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondent and its Authorised Representatives and have observed as under:

- (a) It was noted that KYC/CDD Forms contained incomplete information about the policyholders as their email address, date of birth and father's/mother's name were found missing. The details of three (3) instances of such policyholders are as under:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Customer's Name	Missing Information
AK	Email, Date of Birth, Father's Name
AJB	Email, Date of Birth, Father's Name
AF	Email, Date of Birth, Mother's Name

The Company vide its reply dated September 11, 2024 has admitted that KYC/CDD Forms of the aforesaid policyholders were partially filled out but argued that it had conducted CDD of the said policyholders. However, it needs to be noted that Regulation 8 requires that for the purpose of conducting CDD, every regulated person shall comply with Regulations 9 of the AML Regulations which requires that the regulated persons shall identify and verify the identity of their customers using reliable and independent documents, data and information, as set out in Annexure 1 of the AML Regulations. The said Annexure 1 under with sub-notes (b), (c), (f), & (i) of Note (i) stipulates that for the purpose of carrying out CDD, the information regarding Father's Name, Mother's Name, Email and Date of Birth of customers shall be obtained and recorded on KYC/CDD Forms. The foregoing requirements of the law lead to the conclusion that CDD is not compliance with the aforesaid Regulation without obtaining and recording the essential information regarding Father's/Mother's Name, Email and Date of Birth on KYC/CDD Forms of Customers. However, the Company has admitted that the said information was not recorded on KYC/CDD Forms. Therefore, the Company has contravened the requirements of Regulation 8 and Regulation 9 read with sub-notes (b), (c), (f), & (i) of Note (i) of the AML Regulations.

- (b) It was observed that documents were not available with the Respondent for identifying beneficial owners of its customers (policyholders) and verification of their identity. Moreover, relevant data of beneficial owners of the customers was also not available in the database system of the Respondent. Thus, the Respondent did not take reasonable measures for identification and verification of identity of customers and their beneficial owners. For instance, the Respondent did not furnish such information/documents to the inspection team, which were required for identification and verification of identity of the natural persons behind the entities having shareholding in the following corporate customers:

- M/s. BCL (where 56.43% shares are held by BIHL);
- M/s. KTML (where 27.25% shares are owned by MMI and 20.52% shares are owned by HPL);
- M/s. MBCL

The Respondent vide its reply dated September 11, 2024 has stated that the beneficial owners' details of the three corporate customers were provided to the inspection team through email dated May 21, 2024. The Respondent shared a copy of the email in respect of provisions of information of beneficial ownership to the inspection team, The aforesaid email revealed that merely the percentages of shareholdings of individuals and entities in the corporate customers were provided to inspection team. Moreover, supporting documents were not available in the relevant customers' file in order to substantiate that verification of identity of beneficial owners was carried out. Therefore, the Respondent has failed to ensure compliance with the requirements of Regulation 11 and Regulation 16 of the AML Regulations.

10. In view of the above, it is established that the Respondent has contravened Regulation 8, Regulation 9 read with sub-notes (b), (c), (f), & (i) of Note (i), Regulation 11 and Regulation 16 of the AML



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I
Adjudication Division

Regulations; thus, the penal provisions of Regulation 31 of the AML Regulations read with Section 6A(2)(h) of the AML Act and Rules 4(1)(a) and 6(1) of the AML Sanctions Rules are attracted in the matter.

11. In view of the above, I, in exercise of powers impose a penalty of **Rs. 72,000/- (Rupees Seventy Two Thousand Only)** on the Respondent Company on account of the aforesaid established defaults in accordance with Regulation 31 of the AML Regulations read with Section 6A(2)(h) of the AML Act and Rules 4(1)(a) and 6(1) of the AML Sanctions Rules.

12. The Respondent is hereby directed to deposit the aforesaid penalty in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and furnish receipted voucher issued in the name of the Commission for information and record.

(Mahboob Ahmad)

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

Announced:

February 3, 2025
Islamabad