



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

ORDER	
Name of Company:	M/s. Pak Qatar Family Takaful Limited
Show Cause Notice No. & Date:	ID/Enf/PQFT/2025/531 dated May 06, 2025
Respondent(s):	M/s. Pak Qatar Family Takaful Limited
Date(s) of Hearing(s):	May 29, 2025
Case represented by:	(i) Mr. Muhammad Ahsan Qureshi, Chief Financial Officer; (ii) Mr. Obaid Hussain Qureshi, Head of Legal & Compliance; (iii) Mr. Bilal Rashid, Head of Marketing; and (iv) Mr. Farhan Javaid, Fund Advisor; (the Authorized Representatives)
Provisions of law involved	Section 83(2) of the Insurance Ordinance, 2000 (the Ordinance) and Rule 12(4) of the Unit Linked Products and Fund Rules, 2015 read with Section 156 of the Ordinance
Date of Order:	June 30, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “Commission”) through Show Cause Notice No. ID/Enf/PQFT/2025/531 dated May 06, 2025 (“SCN”) against M/s. Pak Qatar Family Takaful Limited (the “Company/Respondent”) under sub-section (2) of Section 83 of the Insurance Ordinance, 2000 (the “Ordinance”) and sub-rule (4) of Rule 12 of the Unit Linked Products and Fund Rules, 2015 (the “Unit Linked Rules”) read with Section 156 of the Ordinance.

2. The provisions of sub-section (2) of Section 83 of the Ordinance provide that requirement of the rules made under Section 83(1) of the Ordinance, which applies to an insurance contract that is entered into after the commencement date of the rules, shall be deemed to constitute a condition of that contract. Accordingly, the requirements of Unit-Linked Rules shall be deemed to constitute conditions of unit linked contracts entered into between and insurer and its policyholders. Moreover, sub-rule (4) of Rule 12 of the Unit Linked Rules requires that the insurer engaged in unit linked fund business shall prepare and place the Fund Manager Report (FMR) for each month on its official website and simultaneously intimate policyholders through physical or electronic means.

3. The non-compliance of the aforementioned provisions of Section 83(2) of the Ordinance attracts penal provisions contained in Section 156 of the Ordinance, which provides that in case any insurer who makes default in complying with or acts in contravention of any requirement of the Ordinance, or any direction made by the Commission, the Commission shall have the power to impose fine on the insurer and its directors, chief executive officer or any other officer of the insurer who is knowingly a party to the default, which may extend to one million rupees and, in the case of a continuing default, with an additional fine which may extend to ten thousand rupees for every day during which the default continues.

4. Brief facts of the instant case are that the Company is registered with the Commission under the provisions of the Ordinance to undertake family takaful business in Pakistan and it manages the below mentioned Unit Linked Funds;

S#	Name of Fund	Launching Date	S#	Name of Fund	Launching Date
1	PIF Aggressive Fund	08.04.2004	5	Pure Saving Fund	15.08.2022
2	PIF Balanced Fund	08.04.2004	6	Prosperity Fund	15.11.2024

3	PIF Conservative Fund	08.04.2008	7	Mustekham Munafa Fund	01.03.2023
4	Secure Wealth Fund	26.04.2011	8	Kafalat Pension Fund	21.02.2025

5. The review of information available on the Company's official website revealed that the Company had not placed FMRs in respect of the aforesaid unit linked funds for the months of August 2022, September 2022, October 2022, November 2022 and December 2022 i.e. since date of the amendment in the Unit Linked Rules, vide S.R.O. 1014(I)/2022 dated July 5, 2022, which, *prima facie*, constituted contravention of provisions of sub-rule (4) of Rule 12 of the Unit Linked Rules.

6. Furthermore, upon review of the FMR of the subject Unit Linked Funds for December 2024, as selected on a sample basis, the following further observations were noted:

- Investment returns since inception, for last 5 years and for last 10 years were not disclosed in respect of all the funds, which, *prima facie*, constituted contravention of requirements of Rule 12(4)(f)(iv) of the Rules;
- Net Asset Value per unit at launch date was not disclosed in respect of all the funds, which, *prima facie*, constituted violation of Rule 12(4)(a)(vii) of the Rules;
- Credit/Asset Quality of the portfolio was not disclosed in respect of all the funds, which, *prima facie*, constituted non-compliance of Rule 12(4)(d) of the Rules; and
- Total Expense Ratio was not disclosed in respect of all the funds, which, *prima facie*, constituted violation of Rule 12(4)(e) of the Rules

7. The Commission vide email dated March 20, 2025 advised the Company to provide its response on the aforesaid observations. The Company vide email dated March 21, 2025 stated that it will ensure compliance in future. Later, the Company vide email dated April 21, 2025 further stated that an exercise of upgradation of its website has been undertaken and coordination with the concerned departments of the Company is in process.

8. In view of the above, it transpired that the Company, *prima-facie*, had contravened the mandatory requirements of Rule 12(4) of Unit Linked Rules read with Section 83(2) of the Ordinance, which attracts penal action under Section 156 of the Ordinance.

9. Accordingly, SCN was served upon the Company calling upon it to show the cause in writing as to why a penal action may not be taken against it for the aforementioned contraventions of the law. In response to SCN, the Company vide its letter dated May 20, 2025, *inter-alia*, submitted as under:

Absence of Fund Manager Reports (FMRs) for the months August 2022 to December 2022

We wish to inform you that PQFTL has consistently uploaded FMRs on the company website. The FMRs for the mentioned period were temporarily inaccessible due to recent IT activities involving data migration. We regret any inconvenience caused and assure you that the FMRs for this period are now accessible and available on the company's website, and we are committed to ensuring continued accessibility of these reports.

Investment Returns since inception, last 5 years and last 10 years

We submit that as required under the respective Rule of the Unit Linked Products and Fund Rules, 2015 (The Rules), the observed investment returns are not part of FMR under consideration. Requesting your office to take a lenient view in this respect, we would like to highlight that the intent to provide long term performance was maintained, containing a graphical presentation of funds NAV over time as well the yearly returns for the past eight years

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in the FMRs. Moving forward we will ensure clear inclusion of returns since inception, as well as five-year and ten-year returns, as required

Omission of Launch Date and NAV at Inception

As per respective Rule, we acknowledge the omission of information regarding the launch date and NAV at inception which happened during the redesigning of our FMRs.

Credit/Asset Quality of Portfolio

All Unit Linked Funds being managed by the Company except the PIF balanced Fund have been categorized as Fund of Fund, containing investments in mutual funds having varying underlying investment portfolios. Credit/Asset Quality of the portfolio under any fund is derived from the credit rating of the respective investment instruments forming part of its net assets. Owing to the Fund of Funds investment in mutual funds and no underlying investment instruments, there lies a practical difficulty in deriving the portfolio's Credit/Asset Quality. The referred rule i.e. Rule 12(4) (d) can also be interpreted, rather be read as requiring the Credit/Asset quality of the portfolio in case of exposure in money market placements, debt-based securities and placements with Bank/DFIs. Credit/Asset quality of portfolios having exposure in mutual funds is assumed not to be a requirement under the respective Rule

Unlike other funds, PIF Balanced Fund has a diversified portfolio also having investment in mutual funds with stability and star rating. We acknowledge the regulatory requirement and have incorporated enhanced disclosures in our latest enclosed FMR to ensure compliance.

Total Expense Ratio (TER)

We acknowledge the regulatory requirement regarding the TER and confirm that this has now been included in the enclosed FMR. We would, however, respectfully request the Commission to take a lenient view, considering that PQFTL has consistently published the management fee and charges only a management fee and incorporated minimal transaction costs directly into the fund returns reflecting a long-term investment approach. There is no intent of misleading the users of FMRs as the TER with such minimal additional costs equates to the management fee being published when rounded off to two decimal places.

10. In order to provide the Company an opportunity of representation, hearing in the matter was fixed for May 29, 2025 in which Mr. Muhammad Ahsan Qureshi, Chief Financial Officer; Mr. Obaid Hussain Qureshi, Head of Legal & Compliance, Mr. Bilal Rashid, Head of Marketing; and Mr. Farhan Javaid, Fund Advisor appeared as the Authorized Representatives of the Company (the Authorized Representatives). The Authorised Representative, *inter-alia*, submitted that:

- (i) FMRs for August to December 2022 were temporarily inaccessible due to data migration activities on the website as the website was undergoing a revamping process; however, the same have now been restored and made available for public access;
- (ii) Detailed investment returns since inception, for 5-year and 10-year periods were not previously included; Efforts are being made to show long-term performance through NAV trends and annual returns; In future, FMRs will clearly present all return matrices as required;
- (iii) The omission of launch dates and NAVs at inception was acknowledged as an oversight during the redesign of the FMRs, with a commitment to rectify this in subsequent reports.

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- (iv) *It was challenging to disclose credit/asset quality for Fund of Funds structures due to the absence of direct underlying instruments, and interpreted the rule as applying mainly to funds with direct exposure to debt or money market instruments; enhanced disclosures have nonetheless been incorporated, particularly for the PIF Balanced Fund; and*
- (v) *Total Expense Ratio (TER) has now been included in the latest FMRs, non-compliance with the regulatory requirements was admitted and a lenient view was requested, as there was no intent to mislead stakeholders.*

11. I have gone through the relevant provisions of Rule 12(4) of the Unit Linked Rules and Section 83(2) of the Insurance Ordinance and considered the facts of the case along with the available record of the Company as well as its written and verbal submissions by the Authorised Representatives. I have also perused provisions of Section 156 of the Ordinance, which stipulates penal provisions for contravention of the afore-referred provisions of law. It is pertinent to note that the FMRs, performance history and disclosure of NAVs along with disclosure of necessary periodic performance are critical components as far as the management and transparency of unit linked funds is concerned. NAV represents the per-unit market value of the fund, providing policyholders with a clear and accurate assessment of their investment value at any given time. The FMR offers a comprehensive overview of performance, investment strategy and financial health of the respective fund. Together, both of these disclosures ensure that policyholders are well-informed about the status and performance of their investments, fostering trust and confidence in the insurer's management. Accurate calculation of NAV and timely publication of FMR along with all necessary contents not only facilitate regulatory compliance but also enable the policyholders in better and timely decision-making.

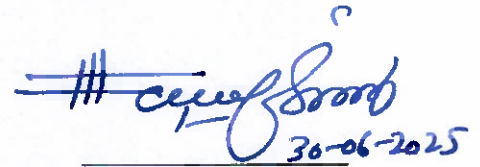
12. Furthermore, it is observed that the Company has acknowledged the identified shortcomings and offered justification for each instance of non-compliance; however, the explanations provided do not fully absolve it of its regulatory responsibilities under the Unit Linked Rules. The temporary inaccessibility of FMRs, resulted in a clear lapse in ongoing disclosure obligations mandated by Rule 12(4) of the Unit Linked Rules. Furthermore, the absence of key parameters including investment returns over specified periods, NAV at inception, and credit/asset quality of portfolio and total expense ratio constitutes a material deviation from regulatory requirements designed to ensure transparency, proper performance disclosure and investors' protection which enables the customers of such investment products to take informed decision and evaluate their investment preferences. While the Company has claimed interpretive ambiguity regarding disclosure of credit/asset quality for the Fund of Funds category, such interpretation cannot override the clear intent of the Rules which is to ensure full visibility of fund composition and associated risks. Similarly, the omission of the Total Expense Ratio, later admitted and rectified, still reflects a failure to adhere to explicit regulatory requirement.

13. Guidance can be sought from the principle laid down in "2016 CLD 204" that "*the Directors of the Company were required to follow the laws in letter and spirit at any cost.*" This principle reinforces the position that in the instant matter, the Company is under an unequivocal obligation to comply with applicable laws. This fundamental principle holds particular relevance in the instant matter, where non-compliance with clearly articulated regulatory provisions has been acknowledged by the Company. The obligation to uphold regulatory standards is not conditional upon operational convenience, technical interpretations, or post-facto rectifications. As custodians of policyholders' trust and confidence, the Company's management was duty-bound to ensure proactive and complete adherence to the Unit Linked Rules without exception. Therefore, while the Company's subsequent efforts to rectify the issues are duly considered, the contraventions already committed represent a breach of its regulatory obligations, warranting necessary penal action, as provided under the law.

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14. In view of the above, I am of the considered view that the aforesaid contraventions with the requirements of Rule 12(4) of Unit Linked Rules and Section 83(2) of the Ordinance at relevant point in time have been established beyond doubt and the same have also been duly admitted by the Respondent. I have also given due consideration to the rectification steps undertaken by the Respondent to remove the violation along with an assurance to remain fully compliant in future. I, therefore, in exercise of the powers conferred upon me under Section 156 of the Ordinance read with SRO 1545(I)/2019 dated December 06, 2019, hereby conclude the proceedings by imposing an aggregate penalty of **Rs. 50,000/- (Rupees Fifty Thousand Only)** on the Company on account of the aforesaid established contraventions.

15. The 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 under Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.



Sohail Qadri
Director / Head of Department
Adjudication Department-I

Announced:
June 30, 2025
Islamabad