



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Through Courier & Email

No.ID/Enf/Habib//2020/ **268**

May 08, 2024

<i>The Respondent(s)</i>	<i>Address</i>
Habib Insurance Company Limited (through its Chief Executive Officer)	Habib Square M.A Jinnah Road, Karachi

SUBJECT: ORDER IN RESPECT OF SHOW CAUSE NOTICE DATED FEBRUARY 26, 2024 UNDER RULES 4(2) AND 5(1) OF CREDIT AND SURETYSHIP (CONDUCT OF BUSINESS) RULES, 2018 READ WITH RULE 8 AND SECTION 156 OF THE INSURANCE ORDINANCE, 2000

Dear Sir,

Please find enclosed herewith a copy of the Commission's Order dated May 06, 2024 on the subject matter for your necessary compliance and record.

Shafiq ur Rehman
Additional Joint Director



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Adjudication Division

15/2015-
of the
Rule 8

Before

Shahzad Afzal Khan, Director/ HOD(Adjudication-I)

In the matter of

Habib Insurance Company Limited

Show Cause Notice No. &
Issue Date

ID/Enf/Habib/2015-177
February 26, 2024

15/2015-
of the
Rule 8

Date of Hearing:

April 23, 2024

Attended By:

Syed Ather Abbas, CEO
Mr. Murtaza Hussain, CFO

ORDER

Under Rules 4(2) and 5(1) of the Credit and Suretyship (Conduct of Business) Rules, 2018 read with Rule 8 and Section 156 of the Insurance Ordinance, 2000

.....

This Order shall dispose of the proceedings initiated against **Habib Insurance Company Limited (the Company and/or the Respondent)** vide Show Cause Notice No. ID/Enf/Habib/2015-177 dated February 26, 2024 (SCN) on account of alleged contraventions of Rules 4(2) and 5(1) of the Credit and Suretyship (Conduct of Business) Rules, 2018 (**the Suretyship Rules**) read with Rule 8 thereof and Section 156 of the Insurance Ordinance, 2000 (**the Ordinance**).

2. The Company is registered under the provisions of the Ordinance to undertake non-life insurance business in Pakistan.

3. While examining the Statement of Credit & Suretyship for the year ended December 31, 2022, it has been noted that the Company, *prima facie*, has contravened the requirements of Rule 4(2) of the Suretyship Rules read with SRO 1010(I)/2022 dated July 5, 2022 (SRO) by failing to procure the adequate collateral in case of guarantees/ bond policies issued during the year 2022.

4. Rule 4(2) of Suretyship Rules requires that subject to limit prescribed under sub-rule (1), an insurer shall procure collateral in respect of particular guarantee / bond of an amount at least equivalent to:

- o Prior to amendment made vide SRO => 80% of sum insured/ amount of bond/ guarantee less reinsurance; and
- o Post amendment => 10% of sum insured/ amount of bond/guarantee.



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5. During review of the Statement of Credit & Suretyship Business of the Company for the year ended December 31, 2022, it has been observed that 605 insurance guarantees/policies/bonds were issued pertaining to Afghan transit trade during the year; however, the Company, prima facie, did not obtain the collateral against any of these guarantees/policies/bonds. It has been further noted that 208 policies were issued before July 5, 2022 and aggregate sum insured for these guarantees was Rs. 2.168 billion. As per the applicable requirement of Rule 4(2) of the Suretyship Rules (80% of sum insured less reinsurance), the amount of collateral would be Rs. 1.74 billion (assuming Nil reinsurance); however, the Company did not procure collateral against these policies. Subsequent to amendment in the Suretyship Rules vide the SRO, the policies pertaining to suretyship business totaling 397 in number were issued with aggregate sum insured of Rs. 4.457 billion. Thus, collateral would be 10% of sum insured in respect of such policies i.e. Rs. 445.7 million; however, no collateral was obtained by Company against these policies. Therefore, the Company, prima facie, contravened the requirements of Rule 4(2) of the Suretyship Rules.

6. In addition to the above, review of the Statement of Credit and Suretyship Business of the Company for the year ended December 31, 2022 shows that 'Mobilization Advance Bond' was issued to a party on October 7, 2022; however, the relevant bank statement shows that the collateral was actually obtained on January 23, 2023, which indicates that the Mobilization Advance Bond was issued without procurement of collateral. Therefore, the Company, prima facie, contravened the requirements of Rule 4(2) of the Suretyship Rules.

7. The aforesaid observations were taken up with the Company vide email dated October 11, 2023 by the relevant department of the Commission. The Company vide email dated October 20, 2023 responded as under:

"Considering the nature of business of Afghan Transit Trade, Habib Insurance Company Limited ("Company") has issued policies to insure the loss of duties only to the Government of Pakistan. The Company has not insured goods in transit. Since the other parties were based in Afghanistan and the insurance was through clearing forwarding agents, it is practically not possible to acquire collateral from these parties. Had we taken collateral from the clearing forwarding agent (which they were not agreeing to), in the event of the claim, it would not have been possible to recover the claim amount from such collateral.

Company

On the other hand, the Company sincerely believes that Afghan Transit Trade business does not fall under Credit & Suretyship Business. The business was being therefore underwritten under the Miscellaneous Class and not under Bond Business. Rule 3(1) of the Credit & Suretyship Rules, 2018 (as amended vide S.R.O. 1010(I)/2022 dated 5th July, 2022 - "the Rules") enlists contracts/bonds to which the Rules apply do not encompass Miscellaneous Business falling in Class 9 of Section 4(3) of the Insurance Ordinance, 2000 ("Ordinance"), which term has been defined in Section 4(3)(i) of the Ordinance to mean business carrying out contracts of insurance of types not included in any other Class.

However, please note that we had placed full exposure in facultative with a local insurer, therefore there was Nil exposure on part of the Company. Before amendment in Rules i.e. July 05, 2022, it was required 80% of the net exposure, as collateral. Since the exposure was Nil, no collateral was therefore required.

After amendment in Rules (July 05, 2022), it was required 10% of the Gross Sum Insured, based on the above interpretation, since the business was not being considered as Bond Business and also all exposure in this period was also placed through facultative to a local insurer. Therefore, there was no exposure for the Company."



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8. The Company made further submissions in respect of 'Mobilization Advance Bond', which are reproduced as under:

"Please note that the Company received the collateral from Raspberry Pakistan (Pvt.) Limited vide pay order # 09803112 dated 07-11-2022 (copy attached), but was inadvertently left out to be deposited. However, the cheque was immediately deposited as soon as it was realized. You are requested to kindly condone this delay".

9. The Statement of Credit and Suretyship Business of the Company for the year ended December 31, 2022 has reported issuance of 'Mobilization Advance Bond' against which a collateral amount of Rs. 677,470/- has been obtained. In this regard, Rule 5(1) of the Suretyship Rules requires that amount of collateral procured by an insurer shall be kept in accordance with the provisions of Section 217 of the Companies Act, 2017 (the Companies Act). Section 217(2) of the Companies Act requires that, *"The money so received shall be kept in a special account maintained by a company with a scheduled bank."* Review of copy of the bank account statement furnished by the Company has revealed that separate bank account as required by Section 217 of the Companies Act has not been maintained by the Company. Therefore, the Company, prima facie, contravened the requirements of Rule 5(1) of the Suretyship Rules.

10. The aforesaid matter was taken up with the Company vide email dated October 11, 2023 by the relevant department of the Commission. In this regard, the Company vide email dated October 20, 2023 submitted its response as under:

".....The Company as a policy doesn't underwrite Bond Business, except for certain cases wherein the running client requests for the same. This is evident from the fact that the Company has underwritten only one policy in the whole year of 2022 with a very small exposure. Separate Bank Account was therefore not maintained, and we are now opening a separate account for this purpose immediately in case we write another such business in future. You are requested to kindly condone the same keeping in view the immaterial amount of only Rs.677,470. At any rate, the objective of Section 217 of the Companies Act, 2017 is to prevent a company and its officers from utilizing the money received as security. In the instant case, the money was not utilized by the Company or its officers".

11. In view of the above, the Respondent, prima facie, did not ensure compliance with Rule 4(2) and Rule 5(1) of the Suretyship Rules. Accordingly, SCN was served on the Respondent calling upon it to show cause as to why penalty may not be imposed for the aforementioned alleged contraventions of the law.

12. Relevant provisions of the law are reproduced as under:

Rule 3 of the Suretyship Rules:

Issuance of Guarantees/Bonds.- (1) An insurer may issue the following contracts of guarantee/bond:

.....

(h) Custom Bonds — obligations to guarantee Pakistan Customs that if it cannot collect monies due from the Principal (who is required to file the bond) it can seek remedy, up to the bond amount, from the insurer; and

.....



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(2) All types of guarantees / bonds as mentioned under sub-rule (1) are mutually exclusive, that is to say that in case of any difficulty in classifying a guarantee under any of these types of guarantees / bonds, the one, which is the most relevant, shall prevail.

Rule 4(2) of the Suretyship Rules:

(2) Subject to limit prescribed under sub-rule (1), an insurer shall procure collateral in case of guarantees / bonds of an amount equivalent to at least 80% of sum insured / amount of bond/ guarantee less reinsurance in respect of a particular guarantee /bond;

Rule 5(1) of the Suretyship Rules:

5. Treatment for Collateral Procured by an Insurer and Settlement of Claim— (1) The amount of collateral procured by an insurer shall be kept by the insurer in compliance with section 217 of the Companies Act, 2017 (in case the collateral, partially or wholly, is procured in cash).

Rule 8 of the Suretyship Rules:

8. Penalty: Any contravention with the requirement of these rules shall be punishable in accordance with the provisions of the Ordinance.

Section 156 of the Ordinance:

Penalty for default in complying with, or acting in contravention of this Ordinance.- Except as otherwise provided in this Ordinance, any insurer who makes default in complying with or acts in contravention of any requirement of this Ordinance, or any direction made by the Commission, the Commission shall have the power to impose fine on the insurer and, where the insurer is a company, any director, or other officer of the company, who is knowingly a party to the default, shall be punishable with fine 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.

13. In response to the SCN, the Respondent vide letter dated March 21, 2024 submitted its reply as follows: -

".....HICL is grateful to the Hon'ble 'Commission for allowing an extension for submitting the reply to the SCN, pursuant to the bonafide request made for compelling reasons by HICL vide its letter dated March 5, 2024. While the opening Para of the SCN needs no reply, HICL bonafidely disagrees with the Hon'ble Commission that it has CI the requirements of Suretyship Rules, mentioned in Paras 2 and 3 of the SCN. The Hon'ble Commission may kindly appreciate 'that the subject Policies were issued under Afghan Transit Trade ("ATT"), which is a special arrangement between the Government of Pakistan and the Government of Afghanistan, (a landlocked country) under Afghanis - Pakistan Transit Trade Agreement, 2010 ("APTTA"), executed pursuant to 'the United Nations Conventions and General Agreement on Tariffs and Trades ("GATT") that became effective from January 1, 1948 for the benefit of all landlocked countries like Afghanistan. In terms of GATT, Pakistan was required to provide transit facility to landlocked Afghanistan, under UN Convention, for which a Bilateral Treaty was signed which became effective on March 2, 1965 and finally after extensive negotiations having commenced in the year 2008, the APTTA of 2010 was signed between the two Governments. It may further be noted that under this special arrangement, which has support of United Nations (since Afghanistan is a landlocked country), Pakistan has incorporated special provisions in the Customs Act, 1969 and Customs Rules, 2001, as well as the Income Tax Ordinance, 2000 and the Rules made thereunder relating to ATT. HICL, in national interest of facilitating ATT, had issued the subject Policies on a bonafide understanding 'that since these Policies secure only duties and taxes payable by the importer to the Government of Pakistan, they do not fall



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in the purview of the Suretyship Rules and as such do not require procurement of collaterals under the Suretyship Rules. It is also pertinent to emphasize that HICL did not insure goods in transit as mentioned in HICL's email of October 23, 2023, which has also been cited in Para 6 of the SCN and is reiterated.

With regard to Paras 4 and 8 of the SCN, the subject Policies did not fall within the purview of Rule 3 of Suretyship Rules, which applies to specific categories of Bonds enunciated in Para (a) to Para (i) of Rule 3 of Suretyship Rules and therefore HICL bonafidely believed that it was not required to obtain collaterals. Hence, it is not correct that HICL has contravened requirements of Rule 4(2) of the Suretyship Rules. In this respect, HICL honestly believes that the Insurance Guarantees issued by HICL do not fall under the definition of Custom Bonds enunciated in Rule 3(1)(h) of the Suretyship Rules. The term Custom Bonds has been defined under Rule 3(1)(h) of the Suretyship Rules, as follows: -

(h) Custom Bonds ~ obligations to guarantee Pakistan Customs that if it cannot collect monies due from the Principal (who is required to file the bond!) it can seek remedy, up to the bond amount, from the 'insurer;

(underlining is ours for emphasis)*

*From the above definition, it may be observed that Rule 3(1)(h) of the Suretyship Rules only covers such guarantees that are issued after the Principals issue Bonds in favor of the Pakistan Customs and only where the Principals commit default on their Bonds with regard to duties and taxes, the guarantees can be enforced against the insurance 'companies, whereas in the instant cases, no such Bonds were submitted by the Principal to the Pakistan Customs. The definition of "Custom Bonds" as specifically enunciated in the Suretyship Rules must prevail and cannot be interpreted otherwise. Therefore, the Policies issued by HICL in favor of the Customs did not fall in this category and as such the subject Policies were underwritten under Miscellaneous Business falling in Class 9 enunciated in Para (ix) of Section 4(3)(a) of the Insurance Ordinance, 2000 Ordinance". The term **Miscellaneous Business** has been defined in Section 4(3)(i) of the Ordinance to mean business carrying out contracts of insurance of types not included in any other Class. Hence, Rule 3(1)(i) of the Suretyship Rules is not attracted. [As already explained by HICL in its email of October 20, 2023, HICL had placed at the 'exposure of set business through facultative to a local insurer, thereby leaving no 'exposure for HICL and hence this is not a case of non-compliance of Rule 43) of the Suretyship Rules. With regard to Paras 5 and 7 of the SCN, this is not the case of non-obtention of collateral from a party. HICL obtained collateral from a party vide Pay Order # 09803112 dated 07-11-2022, but was inadvertently left out to be deposited in the bank. Collateral was obtained vide 8 Pay Order, which is normally considered to be as good as cash, encashment of which 'cannot be stopped by the party who gets the same issued by his bank. Therefore, this is a case of an oversight and when HICL noticed that the Pay Order was inadvertently not deposited, the same was immediately deposited and was realized. With regard to Section 217 of the Companies Act, 2017, its objective is to prevent a Company and its Directors and Officers from utilizing the money received as security. In the instant case money was not utilized by the Company or its Directors or Officers.*

Para 6 of the SCN contains a reproduction of HICL's email dated October 20, 2023 in reply to the Commission's email of October 11, 2023, which needs no reply. However, the position taken by HICL is reiterated. With regard to Para 9 of the SCN, there is a serious legal issue which needs to be deliberated upon. Without prejudice to HICL's position and without admitting any violation of any provisions of the Ordinance, it is respectfully submitted that penal action under Section 156 of the Ordinance cannot be taken for alleged violation of Suretyship Rules. More specifically, Section 156 of the Ordinance unequivocally provides that penalty can only be



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imposed, if there is violation of the requirement of the Ordinance or any direction made by the Commission. In the SCN, penalty is sought to be imposed under Section 156 of the Ordinance for contravention of the provisions of Suretyship Rules. Under Section 156 of the Ordinance, penalty can be imposed against any insurer Who makes default in compliance with or acts in contravention of any requirement of the **Ordinance** or any **direction** made by the Commission. Without prejudice to the submissions made in the preceding paragraphs of this reply, it is submitted that Section 156 of the Ordinance does not cover contravention of the provisions of any rules made by the Hon'ble Commission.

Rules cannot be equated with directives. Rules are matters of delegated legislations and are in form of a law with specific number for each rule applicable to all concerned, 'whereas **direction** connotes specific directive or order to one or more entities or persons under a law on certain specific matters. A direction may or may not be issued to each person or entity regulated by a law, but individually to one or more entities or persons on certain specific matters.

It is well settled that Rules are made as subordinated/delegated legislation by virtue of the powers contained in the Statute and cannot enlarge the scope of the statutory provisions of the enactment. Reliance is placed on the decision of the Supreme Court in the case of Pakistan Electronic Media Regulatory Authority versus Pakistan broadcasters Association and others, PLD 2023, SC, Pages 378/385, the pertinent portion of which is 'quoted as follows:

---It is settled law that the rules made under a parent statute cannot go beyond the scope of the said statute and nor can they enlarge the scope or the statute 'provisions therein the power of rulemaking is an incidental power that must follow and not run parallel to the parent statute.

Since Section 156 of the Ordinance cannot be invoked for alleged viol of Suretyship Rules, Rule 8 of the Suretyship Rules is ultra vires the provisions of the 'Ordinance since the Ordinance does not prescribe any penalty for violation of any rules and therefore without prejudice to the preceding submissions, no penalty can be imposed for alleged contravention of the Suretyship Rules.

With regard to Paras 10 and 11 of the SCN, the Company has already explained its position in its email of October 20, 2023, pertinent portion of which has also been quoted in Para 11.

As to Para 12 of the SCN, it is not correct that HICL has acceded to the alleged violation. The clarification, replies offered by any regulated person has to be considered in true letter and spirit and solitary words and phrases cannot be picked up at random. At any rate, HICL denies that it has contravened the Suretyship Rules of Section 156 of the Ordinance.

In Para 13 of the SCN, Statutory Provision have been reproduced which need no reply. However, HICL's position is explained in the preceding Paras of this Reply and its earlier email of October 20, 2023, which are reiterated. At any rate, HICL denies any violation of the Ordinance or the Rules or any other Statutory Provisions.

Part 14 of the SCN needs no reply. However, HICL denies having contravened the Provision of the Law."

14. In order to provide the Respondent an opportunity of personal representation, hearing in the matter was fixed for April 23, 2024. The said hearing was attended by Syed Ather Abbas (CEO) and Mr. Murtaza Hussain (CFO) as the Authorized Representatives of the Respondent (**the Authorised Representatives**). During the hearing, the Authorised Representatives were advised to submit the



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reasons for alleged non-compliances, as narrated in the SCN. The Authorized Representatives reiterated the submissions made in the written reply dated March 21, 2024. During the hearing proceedings, the Authorised Representatives apprised that the Company has subsequently stopped underwriting the Afghan transit trade business and there is no more exposure on the Company on account of the said business. The Authorised Representatives were advised to confirm the status of credit and suretyship business of the Company in writing.

15. Subsequent to the hearing, the Company vide letter dated April 26, 2024 made further submissions in the matter as under:

- "1. *HICL as a matter of policy, stopped issuing Afghan Transit Policies after August 29, 2023, on which date the last Afghan Transit Policy was issued. This was even prior to the concern raised by the Hon'ble Commission....*"
2. *We confirm that there is no exposure on HICL with regard to Afghan Transit Trade Business."*

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

(a) Incorrect Classification of Policies/Guarantees pertaining to Afghan Transit Trade Business as Miscellaneous Class of Business:

The Respondent is of the view that Afghan transit trade business does not fall under Credit and Suretyship Business. The Respondent does not insure goods in transit and issues policies to insure the loss of duties and taxes only. Accordingly, the business in question was being underwritten under Miscellaneous Class and not under Bond Business. It has been added that the Suretyship Rules are not applicable to Miscellaneous Business falling under Class 9 of Section 4(3) of the Ordinance that defines it as a business of carrying out contracts of insurance of types not included in any other class. The Respondent contended that since these policies secure only duties and taxes payable by the importer to the Customs Department, they do not fall under the purview of the Suretyship Rules and as such do not require procurement of collaterals.

With regard to the aforesaid stance of the Respondent, it has been noted that Rule 3(1)(h) of the Suretyship Rules defines Custom Bonds as "*obligations to guarantee Pakistan Customs that if it cannot collect monies due from the Principal (who is required to file the bond) it can seek remedy, upto the bond amount, from the insurer*". Admittedly, the policies issued by the Respondent under the Afghan transit trade are essentially meant for providing guarantee or assurance to the Customs Department for payment of duties and taxes if the same cannot be recovered. Therefore, such policies are duly categorized and treated as 'Custom Bond' considering the aforesaid definition of 'Custom Bond', as given under Rule 3(1)(h) of the Suretyship Rules. Moreover, the nature of such policies conform to the Credit and Suretyship Class of Business, as recognized under sub-section (3)(a)(vi) of Section 4 of the Ordinance rather than Miscellaneous Class. Therefore, the Suretyship Rules definitely apply on the said insurance guarantees/policies issued by the Respondent under Afghan transit trade business and Respondent was required to obtain adequate collateral against these policies pursuant to the Suretyship Rules.



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(b) **Custom Bonds/Guarantees/Policies issued without Obtaining the Required Collateral:**

The Respondent has contended that full exposure had been placed in facultative reinsurance with a local insurer, leaving Nil exposure on part of the Respondent. Therefore, no collateral was obtained against such policies.

In this connection, it has been noted that aggregate sum insured for 208 guarantees/policies issued prior to July 5, 2022 was Rs. 2.168 billion but the Respondent has furnished no documentary evidence to substantiate its claim of effecting facultative reinsurance of its entire exposure on account of the said policies. In the absence of any such evidence, it is established that the Respondent failed to obtain adequate collateral, which constitutes non-compliance with Rule 4(2) of the Suretyship Rules. Subsequent to July 5, 2022, aggregate sum insured was reported by the Respondent as Rs. 4.457 billion against 397 policies. Thus, 10% of sum insured in respect of the said guarantees/policies i.e. an amount of Rs. 445.7 million was required to be procured as collateral; however, no collateral was obtained by the Respondent against the said policies/guarantees. Therefore, the Respondent has failed to ensure compliance with the requirements of Rule 4(2) of the Suretyship Rules.

(c) **Mobilization Advance Bond issued without procurement of collateral:**

Review of the Statement of Credit and Suretyship Business of the Respondent for the year ended December 31, 2022 revealed that 'Mobilization Advance Bond' was issued to a party on October 7, 2022; however, the relevant bank statement shows that the collateral was actually obtained on January 23, 2023, which indicates that the Mobilization Advance Bond was issued without procurement of collateral. The Respondent stated that collateral was received from the party vide pay order # 09803112 dated November 7, 2022 but inadvertently it was left out to be deposited. However, the said pay order was immediately deposited as soon as it was realized. In view of the foregoing, the Respondent admittedly failed to obtain the collateral at the time of issuance of bond i.e. October 7, 2022.

(d) **Failure in maintaining separate bank account for keeping the amounts of collateral:**

The Respondent has reported that a collateral amount of Rs. 677,470/- was obtained in respect of Mobilization Advance Bond issued to a party during the year ended December 31, 2022. In this regard, Rule 5(1) of the Suretyship Rules requires that amount of collateral procured by an insurer shall be kept in accordance with Section 217 of the Companies Act, which stipulates that *"The money so received shall be kept in a special account maintained by a company with a scheduled bank."* However, review of the bank account statement of the Respondent revealed that separate bank account was not being maintained by the Company for this purpose. The stance of the Respondent that money was not utilized by the Company or its Directors or officers is not cogent. The Respondent failed to maintain a separate bank account for keeping the collateral amounts in order to segregate them from other funds. The collateral amounts are required to be maintained in a separate bank account by the Respondent considering its obligations with respect to the respective bonds/insurance guarantees issued against them. Therefore, the Respondent failed to ensure compliance with the requirements of Rule 5(1) of the Suretyship Rules.

(e) **Applicability of punitive provisions of Section 156 of the Ordinance on non-compliance of the Suretyship Rules:**

The Respondent is of the view that Section 156 of the Ordinance does not cover contravention of the provisions of any rules made by the Commission.



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In this regard, it needs to be noted any contraventions of the requirements of the Suretyship Rules (which prescribe the matters under the Ordinance in order to govern the conduct of an insurer) are contraventions of the requirements of the Ordinance. Moreover, Rule 8 of the Suretyship Rules clearly provides that *"Any contravention with the requirement of these rules shall be punishable in accordance with the provisions of the Ordinance."* Therefore, SCN at para 12 thereof states that "The foregoing non-compliance attracts penal provisions contained under Rule 8 of the Suretyship Rules read with Section 156 of the Ordinance." Therefore, the Respondent is liable to punitive action under Section 156 of the Ordinance on account of contravention of the Suretyship Rules.

17. Keeping in view the aforesaid established contraventions of the Suretyship Rules and considering the mitigating factor that the Respondent has subsequently stopped underwriting the suretyship business pertaining to Afghan transit trade w.e.f. August 29, 2023, I, in exercise of the powers conferred under Section 156 of the Ordinance and other enabling provisions of the law, hereby impose an aggregate penalty of **Rs. 300,000/- (Rupees Three Hundred Thousand Only)** on the Respondent.

18. The Respondent is hereby directed to deposit the aforesaid penalty in the designated Bank Account maintained in the name of the Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days of the date of this Order and furnish receipted voucher evidencing payment of the same.

19. This Order is being issued without prejudice to any other action that the Commission may initiate against the Respondent and / or its management (including CEO of the Respondent) in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

Shahzad Afzal Khan
Director/Head of Department
(Adjudication Department-I)

Announced:

May 6, 2024
Islamabad