

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Alfalah Insurance Company Limited

Dates of Hearing

May 14, 2022

Order-Redacted Version

Order dated July 06, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Alfalah Insurance Company Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated March 31, 2022.
2. Name of Respondent	Alfalah Insurance Company Limited (the Company and/ or the Respondent).
3. Nature of Offence	Alleged contraventions of <u>regulations 8, 9, 10, 11, 23(2), 24(1) and 26(3) of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020.</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case in light of the applicable provisions of the law and have given due consideration to the verbal as well as written submissions and arguments of the Respondent Company and its Representatives and observed as under:</p> <p>(i) with regards to the policy files of three (3) customers selected on sample from coinsurance portfolio of the Company, where the Company had no KYC/ CDD documents of the said customers except the KYC rating/ verification sheet, the Company has stated that it depends on lead insurers for obtaining clients' information/ documents as followers insurance companies do not directly deal with clients in coinsurance arrangements.</p> <p>In this regard, it is stated that despite making reliance on the lead insurer in coinsurance arrangement, the Company was required to immediately obtain from the lead insurer all the information, documents on CDD of clients as in terms of regulation 24 of the Regulations the Company itself is liable</p>

for any failure to apply the required CDD measures. However, the Company did not obtain KYC/ CDD documents of the said customers and the company had no formal agreement with the coinsurer. Therefore, the Company did not ensure its compliance with regulation 24(1) of the AML Regulations;

- (ii) with regards to the observations on the policy file of a corporate client having policy No. 3723104314/12/2020, selected on sample basis, the Company has stated that (a) identification documents are same as directors are common in associated company and its corporate client: (b) list of directors is mentioned in Form A (copy shared); (c) screening procedures were performed for insured and directors and same were marked on verification Form. Copies of the Board's resolution and verification documents substantiating various verification and screening procedures were submitted along with the reply; and (d) the Company has obtained updated Form A in which seven (7) directors are mentioned including five (5) common directors. Copies of identification documents including verifications of directors were submitted along with the reply.

In this regard, it has been, however, noted that the Company did not maintain record of the aforesaid corporate client in respect of Verisys, screening and other documents specified in Annexure I of the AML Regulations. Moreover, the aforesaid corporate client and its associated company have five (5) common directors only. However, the Company did not obtain Form A of its corporate client and relied merely on identification documents of associated company of its corporate client which caused failure in obtaining identification documents of two (2) directors serving on the Board of the corporate client. Therefore, the Company was in violation of regulations 9, 24(1) and 26(3) of the AML Regulations.

- (iii) Responding to the observations on another corporate client having policy No. 2021/KHI/E/IR/0/P/00006 where the Board's resolution was not available for the authorized person and identification or verification of identity of the authorized person was also not available, the Company has subsequently called for the information and submitted it along with the reply. Therefore, the Company was in violation of regulations 10 and 24(1) of the AML Regulations. Similarly, regarding the observations on third corporate client (policy No. 2020HOLFNRAP33097), the Company has subsequently called for the information and submitted it along with the reply. Therefore, the Company, neither

	<p>obtained identification documents of beneficial owner nor carried out verification of identity of the beneficial owner. Moreover, the documents pertaining to the co-insurers were not provided to the inspection team. Therefore, the Company was in violation of the requirements of regulations 11 and 24(1) of the AML Regulations.</p> <p>Keeping in view the aforesaid contraventions/ non-compliances, I in exercise of the powers conferred under Section 6(A)(2)(h) of the AML Act, 2010, hereby impose a fine of <u>Rs. 234,000/- (Rupees Two Hundred Thirty-Four Thousand Only)</u> on the Company.</p>
5. Penalty Imposed	Rs. 234,000/-
6. Current Status of Order	Penalty not deposited.