



SECP

Insurance Division
Karachi

Circular No. 14/2013

Karachi, August 5, 2013

**Clarification on the Directive on Anti-money Laundering and Counter the Financing of Terrorism
(AML/CFT) vide SRO 20(I)/2012 dated January 11, 2012**

The Securities and Exchange Commission of Pakistan (SECP), taking cognizance of the concerns raised by the insurance companies and, after undertaking extensive deliberations with the relevant Authorities and stakeholders, deem it appropriate and expedient to issue certain clarification, in order to remove the difficulties faced by the insurers in complying with the SECP's Directive issued vide SRO 20(I)/2012 dated January 11, 2012 on Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT).

2. Therefore, the SECP in exercise of the powers conferred under Section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 is pleased to issue the following clarifications in respect of the Customer Due Diligence/ Know Your Customer (CDD/KYC) and risk profiling of existing and new policyholders, as mandated in the subject Directive:

- a. For the purposes of establishing the identity and proof of address of a potential policyholder consistent with the risk profile by the insurers, while the procurement of the CNIC of policyholder shall remain the bare minimum mandatory requirement, other documents as mentioned in the Annexure-I of the subject Directive may be construed as indicative. It is clarified that no further documentation is necessary for proof of residence where the document of identity submitted also gives the proof of residence. However, an additional document for proof of address/residence is required in case the address mentioned on NIC is not the actual/present address. Moreover, the requirement of procuring NTN shall not be applicable in-case of non-tax paying policyholders.
- b. To promote the delivery of insurance products, especially microinsurance, through innovative, technology-based and alternate distribution channels, the minimum threshold amount for the applicability of Clause 4(i)(VIII) of the subject Directive shall be the annual/one time premium of Rs200,000 (Rupees Two Hundred Thousand only).

3. It is the responsibility of the insurers to ensure compliance with the provisions of Anti-money Laundering Act, 2010 and the rules and regulations made thereunder. The assumption of lower vulnerability of the insurance business towards AML/CFT activities and minimum documents requirement does not absolve the insurers from their obligations under these laws including the KYC/CDD and the Suspicious Transactions Report (STR) reporting.

4. Insurers are strongly encouraged to refer to the Guidance Paper No. 5 on AML/CFT issued by the International Association of Insurance Supervisors (IAIS) to ensure effective AML/CFT compliance.

Mohammed Asif Arif
Commissioner (Insurance)

Distribution:

All Life and non-Life insurers, including Family and General Takaful Operators.

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