

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

-:-:-

Islamabad, the 3rd October, 2018

NOTIFICATION
DIRECTIVE

S.R.O. 1201 (I)/2018.- Whereas the Securities and Exchange Commission of Pakistan (the Commission) has prescribed the Insurance Companies (Sound and Prudent Management) Regulations, 2012 in exercise of the powers conferred upon the Commission with respect to fitness and proprietary requirements imposed upon the chief executives, directors and key officers of the insurance companies through SRO 15(I)/ 2012 dated January 9, 2012 in order to prepare and establish the insurance sector to meet the challenges of globalization and to avoid maladministration and that the insurance companies must be run by competent persons with adequate know-how of the insurance business without any involvement in financial crimes.

AND Whereas the Commission has to ensure compliance and effective implementation of the Anti-Money Laundering Act, 2010 and the Anti Terrorism Act, 1997 along with rules and regulations made thereunder including the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (SECP-AML/CFT Regulations, 2018).

NOW THEREFORE, in exercise of the powers conferred under Section 40B read with clause (w) and clause (y) of sub-section (4) and clause (fa) and clause (g) of sub-section 6 of section 20 of Securities and Exchange Commission of Pakistan Act, 1997, the Commission hereby publishes the proposed directive for information of all persons likely to be affected and notice is hereby given that objections or suggestions, if any, received from any person within fourteen days of the publication of this notification in the official Gazette, shall be taken into consideration, prior to directing all the regulated, licenced and associated persons and entities which fall under the domain of insurance sector regulated by the Commission to comply with following requirements in addition to the requirements that the Commission has already notified either through Rules, Regulations or through other legislative instrument, namely:-

1. The insurer and insurance intermediary, shall submit with the Commission, at the time of their incorporation, undertaking (on the prescribed format attached as Annexure A) duly signed by the sponsors, promotors and their ultimate beneficial owners that they have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicate offences as provided in the AML Act, 2010 or contravened any provision of SECP-AML/CFT Regulations, 2018 or any other AML/CFT requirements notified by the Commission;

Explanation: Ultimate beneficial owners for the purposes of this directive means a natural person who ultimately owns ten per cent or more of voting shares or control of the company.

2. The insurer at the time of seeking approval in terms of the Insurance Companies (Sound and Prudent Management) Regulations, 2012 (the Sound and Prudent Regulations, 2012), shall submit to the Commission, an undertaking duly signed by the proposed directors or chief executive or principal officer of the insurer that they have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicate offences as

provided in the AML Act or contravened any provision of SECP-AML/CFT Regulations, 2018 or any other AML/CFT requirements notified by the Commission;

3. The insurer shall submit an affidavit annually to the Commission that its key officers, as defined in Sound and Prudent Regulations, 2012, have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicate offences as provided in the AML Act or contravened any provision of SECP-AML/CFT Regulations, 2018 or any other AML/CFT requirements notified by the Commission;

4. The insurance brokers at the time of seeking for approval for issuance of license in terms of the Insurance, Rules, 2017, shall submit to the Commission, undertaking (on the prescribed format attached as Annexure A) duly signed by the proposed directors or chief executive, principal officer and key officers of the insurance brokers that they have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicated offences as provided in the AML Act or contravened any provision of SECP-AML/CFT Regulations, 2018 or any other AML/CFT requirements notified by the Commission;

5. The insurer during the execution of various processes relating to insurance policies, including but not limited to the issuance, underwriting, endorsement, withdrawal, claim, or maturity, shall ensure that there does not exist any conflict of interest of the insurance intermediaries, particularly, in terms of AML Act, 2010 or SECP-AML/CFT Regulations, 2018 or any other AML/CFT requirements notified by the Commission;

Explanation: the term 'Insurance Intermediaries' include Insurance agents, corporate insurance agents, insurance surveyors, insurance brokers, reinsurance brokers and third party administrators (for health insurance).

6. At the time of acquisition of a shareholding, or any part in case of non-life insurer, of more than ten per cent (10%) in an insurance company in terms of Section 67 of the Ordinance, the acquirer(s) or the authorized person in case of corporate entity shall submit undertaking (on the prescribed format attached as Annexure A) that the acquirer or beneficial owners have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicated offences as provided in the AML Act or contravened any provision of SECP-AML/CFT Regulations, 2018 or any other AML/CFT requirements notified by the Commission;

7. Any person to whom this direction applies and who contravenes or fails to comply with the requirements of this direction or submits an affidavit which false in material respect or where under a misstatement is made shall be liable to imposition of penalty under section 40A of the securities and Exchange Commission of Pakistan Act, 1997 which may extend to ten million rupees and where contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.

-.-.-

UNDERTAKING

(On Stamp Paper of Appropriate Value)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ do hereby state on solemn affirmation as under:-


- (a) I have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicated offences as provided in the Anti-Money Laundering Act, 2010 (VII of 2010) or contravened the provision of any regulations/directives issued by the Commission, etc;
- (b) I have not been convicted of an offence involving moral turpitude;
- (c) I have not been subject to adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;
- (d) I have not been involved in the financial irregularities or malpractices in a Company due to which the registration or license of the Company has been revoked or cancelled or which has gone into liquidation or other similar proceedings;
- (e) I am not ineligible, under the Companies Ordinance, 1984 and any other legislation from acting as a director;
- (f) I have not entered into a plea bargain arrangement with the National Accountability Bureau or any other regulatory body;
- (g) I have not been defaulter in repayment of loan to a financial institution or defaulter of a stock exchange;
- (h) I have not applied to be adjudicated as an insolvent and such application is not pending;
- (i) I am not an un-discharged insolvent;
- (j) I shall not be a director in any other insurer engaged in a similar line of insurance business in Pakistan, such as life or non-life insurance business;
- (k) I shall not have any direct or indirect ownership or management interest in any insurance surveyor or insurance broker (if applicable);
- (l) I shall not be a member of stock exchange or director or employee of a brokerage house registered with any stock exchange or a spouse of such person;
- (m) I confirm that my name has not been placed on the exit control list maintained by Ministry of Interior, Government of Pakistan.
- (n) I confirm that I and the companies, firms, sole proprietorships, etc. where I am a chief executive, director (other than nominee director), owner or partner, etc. have no overdue payment of any financial institution except the following:
- (o) I confirm that I have not been refused the right or restricted in the right to carry on any trade, business or profession for which a specific license, registration or other authorization is required by law in any jurisdiction;
- (p) I confirm that I have not been issued a prohibition order under any Act administered by any regulator or have not been prohibited from operating in any jurisdiction by any financial services regulatory authority;
- (q) I confirm that I have not been censured, disciplined, suspended or refused membership or registration by any regulator, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Pakistan or elsewhere;
- (r) I confirm that I have not contravened or abetted another person in breach of any laws or regulations, business rules or codes of conduct, whether in Pakistan or elsewhere;
- (s) I confirm that I am not or have not been unable to fulfil any of my financial obligations, whether in Pakistan or elsewhere;
- (t) I confirm that I am not subject to a judgment debt which is unsatisfied, either in whole or in part, whether in Pakistan or elsewhere.

Deponent

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature _____
(Name and Seal)

[No.ID/OSM/AML/2018]


(Bilal Rasul)
Secretary to the Commission