



SECP  
INSURANCE DIVISION  
Islamabad

Before Shaukat Hussain, Commissioner (Insurance)

*In the matter of*

IGI Life Insurance Limited

Show Cause Notice No. and Issue Date: ID/Enf/IGILife/2019/162 Dated  
March 13, 2019

Date of Hearing: March 25, 2019

Attended By:

1. Mr. Nadeem Rehman Malik  
Deputy Chief Executive Officer  
M/s. IGI Life Insurance Limited
2. Mr. Ali Nadim  
Chief Operating Officer  
M/s. IGI Life Insurance Limited

Date of Order: March 27, 2019

ORDER

Under Regulation 6(3)(a), Regulations 6(3)(b), Regulation 6(4), Regulation 9(4)(a),  
Regulation 9(4)(b) and Regulation 19 of the Anti-Money Laundering and  
Countering Financing of Terrorism Regulations, 2018 read with Section 40A of the  
Securities and Exchange Commission of Pakistan Act, 1997

.....

This Order shall dispose of the proceedings initiated against M/s. IGI Life Insurance Limited (the "Company"), its Chief Executive and Directors for alleged contravention of Regulation 6(3)(a), Regulations 6(3)(b), Regulation 6(4), Regulation 9(4)(a), Regulation 9(4)(b) and Regulation 19 of the Anti-Money Laundering and Countering Financing of Terrorism Regulations, 2018 (the "2018 Regulations"). The Company and its Directors shall be collectively referred to as the "Respondents" hereinafter.

2. The Company is registered under the Insurance Ordinance, 2000 (the "Ordinance") to carry on life insurance business in Pakistan.
3. An onsite inspection of the Company was conducted to assess the compliance of the Company with the Anti-Money Laundering (AML) and Know-Your-Customer (KYC) requirements as given in SRO 20(1)/2012 (the "directive") and the 2018 Regulations.
4. The inspection team noted significant number of instances where the Company failed to comply with the relevant laws.

SECURITIES AND EXCHANGE  
COMMISSION OF PAKISTAN

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5. The Company's own Anti Money Laundering (AML)/ Countering Financing of Terrorism (CFT) policy and Procedure # 14 state that in case of premium payment greater than or equal to Rs. 5 million, the policyholder would be required to provide source of funds. Furthermore, as per manual dated January 25, 2018 approved by Underwriting Management Committee (UMC), documented proof of regular income would also be required for single premium of Rs. 5 million and above. However, in most of the sample policy files, totaling 48, the inspection team did not find evidence, which could establish proof of the source of regular income of the policyholders in the form of salary slips, tenancy proceeds, tax returns, or whatever the case may be, as required by Regulation 9(4)(b) of the 2018 Regulations. The inspection team noted the following instances:-

Policyholder	Policy #	Premium	Remarks
Mr. Ikram-ul-Haq Qureshi	49034110D1	Rs. 20 million	The file did not contain proof of regular income, the Customer Due Diligence (CDD), checklist columns # 6 and 7 were left blank and the query raised by Manager Underwriting regarding any documented proof to establish sources of deposited funds was not answered.
Ms. Kishwar Tariq Allawala	50300102TI,	Rs. 9.7 million	Described as principal, having 30 years length of service, with annual income of Rs. 2.5 million, but non-filer, and her checklist columns for source of income and proof of employment were left blank. No copy of salary slip and service card was found attached.
Ms. Naheed Mansoor	5030009T1	Rs. 7.8 million	Described as housewife, with earning through saving and investment but no source of regular income was found in the file.
Ms. Nazli Feroze,	49034104D		Source of income/ occupation shown as 'saving' and in the profile, the relevant columns were left blank. Her bank statement pertained to a Joint account, which did not support adequate income.
Mr. Tariq Din Mahmood,	4903411501,	Rs. 9.7 million	Source of regular income was not found in the file. Checklist for CDD columns # 8, Proof of business/Employment income was left blank. Customer profile's columns regarding sources of income, business /job/other occupation were left blank
Mr. Jamal Ahmed	49034108	Rs. 300,000 plus Rs 8.7 million.	Stated as Manager Corporation but no source of regular income was found.
Mr. Muzzafar Ahmad,	49034107D1	Rs. 6.7 million	Described as being a senior government hospital doctor but source of regular income was not found in the file. Checklist for CDD with columns regarding source of income and proof of business were left blank.
Mr. Muhammad Shabbir Yar Khan,	46091823,	Rs. 10 million	Described as a salesman, contractor of vehicle but source of regular income was not found with proof and also columns for proof of employment were left blank. Copy of salary slip and service card etc. were not found attached in the file.

6. Out of the 48 policy files, taken as sample by the inspection team, 15 policy files were categorized as high risk and accordingly subjected to Enhanced Due Diligence (EDD) by the Company. The inspection team observed that the Company, in violation of Regulation 9(4)(a) of the 2018 Regulations and the Company's own AML/CFT Policy and Procedure Part VII, C EDD, did not take approval from the senior management in the following policy files:-

Policyholder	Policy number	Premium (Rs.)
Mr. Ikram-ul-Haq Qureshi	49034110D1	20 million
Ms. Fatima Moin	49034105Dt	300,000+19,700,30
Mr. Naseem Anwar Khan covered person Ms. Nousheen Khan	50054638T1	9 million



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7. The remarks and approval given on the customer profile did not show approval from the senior management. Almost all approvals and congratulatory letters were issued and signed by officials, who were not in the list of senior management as per Company's policy.

8. As per Regulations 6(3)(a) and 6(4) of the 2018 Regulations, the Company's Underwriting Management Committee approved a Manual dated January 25, 2018, that lays down the requirement for obtaining documented proof of job/business for single premium policies (SPP) of Rs. 5 million and above; and AML/CFT Policy and Procedure Part VII, A, b, requires that in case of salaried person, in addition to CNIC, an attested copy of the service card, service certificate, pay slip on letter head of the employer would be obtained. However, the Company appeared to be negligent over this matter. The inspection team noted the following instances of non-compliances with Regulation 9(4)(a) of the 2018 Regulations:-

Policyholder	Policy No.	Premium	Remarks
Ms. Fatima Moin	49034105DI	Rs 300,000 plus 1,970,030	The team found a print copy of the business website COM CON PVT LTD carrying no name of the client but with the same address. The team on its own made a search on the net yet could not find the required site to verify it.
Mr. Tariq Mahmood Din	49034115D1		Checklist for CDD columns # 8 Proof of business/employment income were left blank. Customer Profile's columns regarding sources of income, business/job/other Occupation were left blank.
Ms. Kishwar Tariq Allawala	50300102TI		Described as principal, 30 years length of service, with annual income of Rs. 2,500,000, non-filer, and her checklist columns for source of income with proof and proof of employment were left blank.
Mr. Ahmed Jamal	49034108	Top up premium of Rs 19 million	Customer Profile says, "Applicant is existing client, proof of job attached in existing case..." but the Company neither provided the proof during inspection nor afterwards.
Mr. Muzzffar Ahmad	49034107D1	Rs 6.7 million	Described as a senior government hospital doctor but no employment proof was found. Checklist for CDD with columns regarding source of income and proof of business were left
Mr. Muhammad Shabbir	46091823	Rs 10 million	Described as a salesman, contractor of vehicle but no proof thereof was found. In the checklist, the columns relating to employment were left blank. No copy of salary slip and service card was found in the file.

9. In a number of cases, the purpose of taking a policy was not clearly given, where the same policyholder surrendered/abandoned his previous policies prematurely. Similarly, policy record in some of the cases showed a dozen previous policies of the same policyholder and nearly half of them were termed as incomplete and the rest as due for premium but the Company did not raise any suspicion on selling him a new policy. This was contrary to the Regulation 6(3)(b) read with Regulation 13(2) of the 2018 Regulations and the Company's AML-CFT Policy and Procedure Part I, which includes the matter in Suspicious Transactions (Red Flags). Some instances of non-compliances are as follows:-

Policyholder	Policy No.	Premium	Remarks
Mr. Ikram-ui-Haq Qureshi	49034110D1	Rs. 20 million	Surrendered and cancelled his 5 policies within a span of 5 years but no probing appeared to have been conducted by the Company. Besides the policyholder declared no dependent in the FNA form but in priorities he declared dependents and their education, wedding for the purpose of the policy.



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Mr. Muhamad Shabbir Yar Khan	46091823	Rs. 10 million	Previously, the policyholder had 12 insurance policies, out of which 6 were stated as "incomplete" issued in the 2017. However, the policy file did not contain the reasons for abandoning the earlier policies and issuing a new policy.
Mr. Nadeem Amjad	30000480D	Rs. 4 million	Previously, the applicant had 6 policies, the status of some of the policies was not clear. The Company stated that the applicant applied for reinstatement of existing lapsed policy. The Policy file of the applicant however did not show the status of previous policies.

10. The Company could not provide any evidence regarding group-wide program against ML/TF, despite the fact that the Company is a part of a large financial and corporate group, contrary to the Regulation 19 of the 2018 Regulations. Besides this, the Company's policy and procedures did not make provision / reference relating to the group-wide program or compliance.

11. Contrary to the Regulation 6(4) of the 2018 Regulations, the inspection team found that certain policy files did not contain copy of the Verisys. Instances included policy issued to Mr. Ghulam Hussain, policy # 30000517, D1, having premium of Rs. 200,000/-.

12. In view of the above, it appeared that the Company has failed to comply with Regulation 6(3)(a), Regulation 6(3)(b), Regulation 6(4), Regulation 9(4)(a), Regulation 9(4)(b) and Regulation 19 of the 2018 Regulations.

13. Regulation 6(3)(a), Regulation 6(3)(b) and Regulation 6(4) of the 2018 Regulations state that:

*“(3) Customer due diligence (CDD) in broader term include-*

*(a) Identifying the customer or beneficial owner and verifying the customer's/beneficial owner's identity on the basis of documents, data or information obtained from customer and/or from reliable and independent sources;*

*(b) understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship;*

*(4) Regulated person shall obtain such documents from different types of customers as provided in Annexure-I.”*

14. Regulation 9(4)(a) and Regulation 9(4)(b) of the 2018 Regulations state that:

*“(4) Enhanced Due Diligence (EDD).- EDD measures include but are not limited to the following-*

*(a) obtain approval from regulated person senior management to establish or continue business relations with such customers;*

*(b) establish, by appropriate means, the sources of wealth and/or funds or beneficial ownership of funds, as appropriate; including regulated person's own assessment to this effect; ”*

15. Regulation 19 of the 2018 Regulations states that:



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*"Financial Groups.- Financial groups should implement group-wide programmes against ML/TF, which should be applicable, and appropriate to, all branches and majority-owned subsidiaries of the financial group and these should include the measures set out in in these regulations and also-*

*(a) policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management;*

*(b) the provision, at group-level compliance, audit, and/or AML/CFT functions, of customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes; and*

*(c) adequate safeguards on the confidentiality and use of information exchanged."*

16. Accordingly, a Show Cause Notice (SCN) No. ID/Enf/IGILife/2019/162 dated March 13, 2019 was issued to the Respondents, calling upon them to show cause as to why the fine as provided under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "Act") should not be imposed on them for the aforementioned alleged contraventions of the law.

17. The Company vide letter dated March 14, 2019 sought 30 days' extension to submit reply to the aforesaid Show Cause Notice. The request of the Company was not acceded to. Thereafter, the Commission vide its letter dated March 15, 2019 bearing no. ID/Enf/IGILife/2019/234 scheduled the hearing in the matter on March 25, 2019 at the Head Office of the Commission in Islamabad.

18. Meanwhile, the Respondents submitted their reply vide letter dated March 22, 2019, which is reproduced below;

".....

1. SECP has promulgated AML CFT Regulations on June 13, 2018 for all entities regulated by the Commission and as per clause 4 of the Regulation; depending upon the risks and size of the business company has to develop and implement policies, procedures and controls to be approved by the Board of Directors. Hence, the company prepared its policy and got the approval from the Board of Directors. We have assessed risks based upon Size, Customers, Products, Distribution channels. Transactions, Geographies and identified the overall entity risk as "Low" as per the criteria mentioned in the AML policy of the Company. This policy has been submitted with SECP. As mentioned in the policy referred to in above show cause notice, "policyholder would also be required to provide "source of funds". We have checked again and found that in all the applications under review in our view, "source of funds" was available. Furthermore, all mentioned policies fall under single premium category where premium is payable only once at the time of issuance. Therefore, according to our understanding, the proof of regular income was required in the case of regular premium policies while single premium policies can be financed by accumulated savings/ investments invested through formal financial channel and if source of funds is identified.

*As regards Para 7:*

*It is humbly submitted, although the funds used to invest in single premium policies came through the banking channel, the Company invariably further identified sources of*



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*funds through documentary evidence. We have also checked and found that following evidence is attached in the policy files showing their identity and source of funds.*

*We would like to further submit that documentary proof of source of regular income is also available in 6 out of 8 policies below. While in 2 cases (Ms. Kishwar Tariq Allahwala and Mr. Muzaffar Ahmad) reasons for not seeking documentary proof of regular income have been explained in the relevant cases below.*

*Copies of the all the reference of page #'s from policy file mentioned in each case are attached under Annexure A.*

Policy Holder	Source of Fund	Source of Regular Income
Mr. Ikram ul Haq Qureshi	<p>The appropriate proof of source of funds and wealth is provided in the said policy file.</p> <p>The proof of funds / wealth is established by the following documents attached for reference:</p> <p>a) Online NTN verification registered on 09.01.2000 (page # 24 on annexure A);</p> <p>b) Account maintenance certificate; stating that account was opened with Standard Chartered Bank on 16.08.2008 and closing balance maintained in the account was around Rs. 191.5 million (page # 46 on annexure A; it is submitted that this was sent in response to the manager underwriting regarding documented proof of source of funds.</p> <p>c) Letter on Letterhead of Advanced Medical Diagnostic Centre form (page # 47 of annexure A);</p> <p>It is submitted that as per our Financial underwriting standards, such applicants can comfortably afford Rs. 20 million of Single Premium policy.</p> <p>Furthermore, the funds are received through the banking channel which itself has been classified as Low Risk as banks are also required to scrutinize the funds for AML/CFT as per AML-CFT regulations of State Bank of Pakistan.</p>	<p>It is submitted that this applicant owns "Advanced Medical Diagnostic Centre (page # 27 on annexure A). The address of the business also confirmed through the FBR website inquiry and matches with the application (page # 24 on annexure A).</p> <p>This can be further verified from the letter on Advanced Medical Diagnostic Centre letterhead written to Standard Chartered Bank by Mr. Ikram (page # 47 on annexure A). In our view, this show that this applicant earns his regular income from his business.</p>
Ms. Kishwar Tariq Allahwala	<p>Proof of source of funds / wealth is established by:</p> <p>a) Account maintenance certificate which shows that account was opened on 12.10.2010 (page # 44 on annexure A)</p> <p>b) Bank statement showing balance of Rs. 12 million (page # 45 &amp; 46 on annexure A)</p> <p>c) Proof of receiving Rs. 12 million from foreign remittance (page # 47 on annexure A)</p> <p>d) Proof of Rs. 14.4 million in her IPS account at Standard Chartered Bank (page # 48 on annexure A)</p>	<p>In this case, the applicant has not used her source of regular income to invest in the single premium policy but used the funds received from foreign remittance through official banking channel.</p> <p>Hence in our view, in this 1 case no further documentary evidence of source of regular income was required.</p>



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	<p>The lady already had sufficient funds in her bank account and those received through the banking channel, therefore source of funds is clearly identified based upon the evidence as stated in points a) to d) above.</p>	
Ms. Naheed Mansoor	<p>The policyholder has declared herself as a house wife. The source of funds was established by the following documents:</p> <p>a) Bank statements showing transfer of funds of Rs. 6 million and Rs. 2.2 million from Al-Meezan Investment Account statement (page # 52 and 53 attached on annexure A).</p> <p>b) Account maintenance certificate from SCB showing date of opening of account as 17.11.2011 (page 51 attached on annexure A)</p> <p>c) Bank Account statement of SCB showing transfer of Rs. 6 million and Rs. 2.2 million from Al Meezan Investment on 14 - 19 June 2018; respectively (page # 54 attached on annexure A)</p> <p>Given that the lady already had sufficient funds in her bank and all funds were received to the Company through the banking channel, therefore from our financial underwriting point of view source of funds has been established.</p>	<p>The lady has declared herself as house wife and also declared that her source of regular income is from savings and investments.</p> <p>She has provided details of her savings and Investments in Al Meezan account (page # 52 and 53 on attached on annexure A).</p> <p>She planned to invest her savings in IGI Life to generate a return on her investments.</p> <p>Hence in our view source of regular income is established from her investments.</p>
Ms. Nazli Feroze	<p>The policyholder has declared earnings from savings and investment.</p> <p>Evidence suggest that the lady had received Rs. 7.1 million in Standard Chartered Bank account 1 against cash surrender value from EFU Life (page # 56 on annexure A). The amount was transferred to IGI Life from her account maintained with SCB. The account maintenance certificate from SCB is provided with account opening date 28.02.2013 (page # 57 on annexure A).</p> <p>Given that the lady already had sufficient funds in her bank and all received to us through the banking channel, therefore from our financial underwriting point of view source of funds is established.</p>	<p>The lady has declared that her source of regular income is from savings and investments. She has provided details of her savings and Investments in Standard Chartered Bank (SCB) account against cash surrender value from EFU Life (page # 56 on annexure A).</p> <p>She has invested her savings in IGI Life to generate a return on her investments.</p> <p>Hence, in our view source of regular income is established from her investments.</p>
Mr. Tariq Din Mahmood	<p>The policyholder is a retired individual who after retirement had invested in "Saving Mahana Izafa" funds.</p> <p>We have checked and found that 28.02.2013 and account statement (page # 50 and 51 on annexure A) submitted Showing balance of Rs. 40 million is provided in the file. Given that he already had sufficient funds in his bank and all received to us through the banking channel, therefore from our financial underwriting point of view source of funds was clearly established.</p>	<p>Since the applicant has declared that he is retired and makes money from managing investments. It can be seen from his bank statement that he earns monthly profit on his savings in the bank and a part of these savings has been invested in IGI Life.</p> <p>Hence in our view, his source of regular income is established from the bank statement.</p>



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Mr. Jamal Ahmed	We have checked and found that he has submitted the source of funds i.e. cash surrender value received from EFU Life by surrendering his "EFU-AI Ameen plan" of Rs. 4 million (page # 50 and 51 on annexure A) and Rs. 3 million he received from "AI Meezan Investments"(page # 43 on annexure A) hence from our financial underwriting point of view source of funds is clearly established from above submitted documents.	He is also an existing policyholder (policy number, 49034083)and has submitted his declaration on amendment to application (reference, page #1 of 49034083 on annexure A) that he is a Businessman and submitted his letterhead (page 2 and 3 on annexure A). Also, the FBR statement verifies that he falls under the Business- Individual category (page 4 and 5 on annexure A). Therefore, in our view his regular source of income is his business (which has been verified from FBR).
Mr. Muzaffar Ahmad	The Policyholder is a Sr. Medical Officer and same has been mentioned on his application (page # 30 on annexure A) and his source of fund is a transfer of Rs. 10 million from Pakistan Investment Bonds (PIB's), as can be seen in the account statement (page # 46 on annexure A). The account maintenance certificate (page #48 on annexure A) is attached for reference showing date of opening of account 10.07.2013. Therefore, source of funds is clearly established from above evidences.	The applicant submitted a declaration that the funds have been inherited from his father. Since the investment in IGI Life single premium policy was through the funds inherited from father (page # 45 on annexure A), This has been duly attested by the bank. In our view proof of regular income was not required any further in this case.
Mr. Muhammad Shabbir Yar Khan	The policy holder is employed in Kingdom of Saudi Arab (page # 59 on annexure A). We have checked and found that the Policyholder had provided the sale deeds (page # 88 to 121 on annexure A) amounting to Rs. 4 million and Rs. 1 million respectively. His Account maintenance certificate (page # 32 on annexure A) and bank account statements (page # 33 to 55 on annexure A) are also attached for reference which Clearly established the source of funds.	His source of regular income can be seen from his Iqama (page # 59 on annexure A).

There are instances where certain columns have been left blank inadvertently. We have noted for compliance.

**As per Para 8 and 9:**

**Explanation for Enhanced Due Diligence (EDD) and Approval from Senior Management is submitted below;**

We agree and recognize our gap in obtaining approval from the senior management earlier. However, in this regard vide our "Note for Delegation of Authority" dated 07.02.2019. This was written prior to receiving this show cause letter.

We have submitted same to SECP subsequent to which our Chief Operating Officer, is reviewing and signing the EDD cases.

**Copy of the Note for Delegation of Authority is attached under Annexure B.**

**As per Para 10:**





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## *Explanation for obtaining Documented Proof of Job/Business for Single Premium Policies of Rs.5 Million and Above;*

*We refer AML/CFT Regulations, 2018; where under 6(3)(a) it states;*

*(a) Identifying the customer or beneficial owner and verifying the customer's/beneficial owner's identity on the basis of documents, data or information obtained from customer and/or from reliable and independent sources;*

*It is humbly submitted, following policies are single premium policies where premium is paid only once at the time of issuance therefore, in our view source of regular income was not required, while the sources of funds were obtained invariably. We have again checked and found that following evidences are attached in the policy files showing their identity, source of funds and in our view where applicable proof of regular income.*

*Copies of the all the references of page #'s from policy files mentioned in each case are attached under Annexure A and C*

<i>Policy Holder</i>	<i>Source of Funds</i>	<i>Source of Regular Income/salary slip service card etc.</i>
<i>Ms. Fatima Moin</i>	<p><i>The source of wealth is established through bank statement (page # 59 to 63 on annexure C). Her account shows the balance of Rs. 14.5 million. The encashment of PIB's is clearly visible on the bank statement amounting Rs. 5.8 million and Rs. 6 million.</i></p> <p><i>In the case of Fatima Moin, her identity can be established from the data provided by the customer as well as independent verifications. The following documents ascertain the customer's identity:</i></p> <p><i>a) CNIC (page # 55 &amp; 56 on annexure C)</i> <i>b) CNIC NADRA verisys (page # 25 on annexure C)</i> <i>c) Address provided on CNIC can be matched with address on Bank Statement (page # 59 to 65 on annexure C) and Account maintenance certificate showing account opening date as 16.01.2018 (page # 64, as on annexure C)</i> <i>d) FBR check for filer &amp; non filer, confirms the name of the lady as a filer along with her address (page # 24 on annexure C) and she is registered with FBR since 18.12.1995. it is humbly submitted that, the copy of COM CON PVT LTD. available in the file was a part of the activity to search for dubious persons and not an effort to identify business.</i></p> <p><i>In our view, there is no doubt on the identity of the lady as this has been repeatedly verified from multiple documents as mentioned above and from financial underwriting point of view above documents are sufficient to establish her identity and source of funds.</i></p>	<p><i>It is submitted that, since she is a business lady therefore in our view salary slip is not applicable in this case.</i></p> <p><i>We would like to submit that in this case, FBR check for filer &amp; non filer, confirms the name of the lady as a "filer" along with her address (page # 24 on annexure C) and she is registered with FBR since 18.12.1995.</i></p>



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<p>Mr. Ahmad Jamal</p>	<p>Has submitted source of funds i.e. cash surrender value he received from EFU Life against his insurance plan "EFU-AI Ameen" amounting to Rs. 4 million (page # 50 and 51, as attached in Annexure A) with an additional transfer of Rs. 3 million from "Al Meezan Investments" (page #44 on annexure A) clearly establishes the source of funds. Identity of Ahmed Jamal can be established from the following:</p> <p>a) CNIC (page#52 on annexure C)  b) CNIC NADRA verisys (page # 21 on annexure C)  c) Address provided on Bank Statement (page # 55&amp;56 on annexure C) matches with address on his CNIC. FBR check for filer &amp; non filer, confirms his name as filer along with his address and business name which is same as mentioned in the application (page # 23 on annexure C). He was registered in FBR on 19.02.2007. In our view, there is no doubt on the identity of the customer as this has been repeatedly verified from multiple documents as mentioned above.</p>	<p>He is also an existing policyholder (policy number, 49034083) and has submitted his declaration on amendment to application (reference, page #1 of 49034083 attached on annexure A) that he is a Businessman and submitted his letterhead (page 2 and 3). Also, the FBR statement verifies that he falls under the Business-Individual category (page 4 and 5 on annexure A). Therefore, in our view his regular source of income is his business (which has been verified from FBR). It is submitted that he is a business owner hence salary slip not applicable.</p>
<p>Mr. Muzaffar Ahmed</p>	<p>Policy holder is a Sr. Medical Officer and same has been mentioned on application (page # 30 on annexure A) and his source of fund is a transfer of Rs. 10 million from PIB's, as can be seen in the account statement (page # 46 on annexure A). The account maintenance certificate (page # 48 on annexure A) is attached for reference. Identity of Muzaffar Ahmed can be established from the following:</p> <p>a) CNIC(page#72 and 73 on annexure C)  b) CNIC NADRA verisys (page # 27 on annexure C)  c) Address provided matches CNIC and application and the Bank Statement (on page # 46 on annexure A). In our view, there is no doubt on the identity of the customer as this has been repeatedly verified from multiple documents as mentioned above.</p>	<p>It is submitted that since he is only investing from PIB's hence no salary slip was required.</p> <p>Also, the applicant has declared the funds being invested after inherited from his father (page # 45 on annexure A)</p>
<p>Mr. Muhammad Shabbir</p>	<p>The policyholder is employed in KSA (page # 59 on annexure A). Policyholder provided us a sale deeds (page # 88 to 121 on annexure A) amounting Rs. 4 million and Rs. 1 million; respectively. His account maintenance certificate (page # 32 on annexure A) and bank account statements (page # 33 to 55 on annexure A) hence there was no further requirement for any other proof of business or profession.</p> <p>The identity of Muhammad Shabbir Y. Khan can be established from the following:</p> <p>a) CNIC(page#60 on annexure A)  b)CNIC NADRA verisys (page # 13 on annexure A)  c) Iqama (page # 59 on annexure A)  d) Address provided on CNIC is same on Sale Deeds.  e) Address on CNIC matches with bank statements (page # 33 to 55 on annexure A) (Pages # 59, 88 to 121, 32 and 33 to 55, are attached in Annexure A. In our view, there is no doubt on the identity of the customer as this has been</p>	<p>It is submitted that Iqama provides proof of employment (page 59 on annexure A)</p>



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	repeatedly verified from multiple documents as mentioned above.	
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There are instances where certain columns have been left blank inadvertently. We have noted for compliance.

**As regards para 11:  
Purpose of Taking / Cancelling Policies**

Copies of the all the references of page #'s from the policy files mentioned in each case are attached under Annexure D

Policy holder	Our Response																																								
Mr. Ikram ul Haq Qureshi	<p>The summary of policies pertaining to the said policyholder where it is clearly perceptible that the money stayed for more than 1.5 years in 4 policies. The Policy# 49032474 was however a case of "Refunded on Request".</p> <p>It is submitted that the policyholder earned profits on each 4 investments. The policyholder has submitted all sources of funds hence the question of suspicion never arose.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="5">Policy # 49034110</th> </tr> <tr> <th></th> <th>Policy Issue date</th> <th>Amount received</th> <th>Surrender date</th> <th>Surrender Amount Paid</th> </tr> </thead> <tbody> <tr> <td>49030807</td> <td>28-Dec-2011</td> <td>3,000,000.00</td> <td>26-feb-2015</td> <td>4,420,795.88</td> </tr> <tr> <td>49031732</td> <td>28-Dec-2012</td> <td>10,000,000.00</td> <td>1-Sep-2014</td> <td>10,704,471.32</td> </tr> <tr> <td>49032061</td> <td>26-Apr-2013</td> <td>30,000,000.00</td> <td>31-Jan-2015</td> <td>36,595,348.27</td> </tr> <tr> <td>49032070</td> <td>28-Apr-2013</td> <td>20,000,000.00</td> <td>6-Aug-2015</td> <td>25,704,414.71</td> </tr> <tr> <td>49032474</td> <td>27-Sep-2013</td> <td>15,000,000.00</td> <td>30-Oct-2013</td> <td>15,000,000.00</td> </tr> <tr> <td></td> <td></td> <td>78,000,000.00</td> <td></td> <td>92,425,030.18</td> </tr> </tbody> </table> <p>The sources of funds for this case has already been detailed under "Inspected Issue #1" of this document.</p> <p>Financial Need Analysis (page # 32 and 33 on annexure D) shows that the plans were bought for financial security of family and the beneficiary was his wife. The policyholder has dearly opted priorities for his financial needs under serial #1, 2 and 3 as; Financial security for family; Investment of existing capitals for better returns and Building capital through regular savings; respectively. It is submitted that the wedding and education are his 4<sup>th</sup> and 5<sup>th</sup> i.e. lesser priorities and hence did not raise any need to ask for information of his dependents. Also, his wife has been declared as the beneficiary rather than children.</p>	Policy # 49034110						Policy Issue date	Amount received	Surrender date	Surrender Amount Paid	49030807	28-Dec-2011	3,000,000.00	26-feb-2015	4,420,795.88	49031732	28-Dec-2012	10,000,000.00	1-Sep-2014	10,704,471.32	49032061	26-Apr-2013	30,000,000.00	31-Jan-2015	36,595,348.27	49032070	28-Apr-2013	20,000,000.00	6-Aug-2015	25,704,414.71	49032474	27-Sep-2013	15,000,000.00	30-Oct-2013	15,000,000.00			78,000,000.00		92,425,030.18
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Mr. Muhammad Shabbir Yar Khan	<p>It is submitted that the applications for first 5 policies were submitted on 27.07.2017 and requirements were called for. Since the requirements were not completed within the stipulated period of 60 days hence the applications expired. The new application was submitted on 28.12.2017.</p> <p>This is our standard practice that application expires when the requirements are not completed within 60 days, hence there was no deliberate need to mention the same in the underwriter's comments. It is submitted that these policies were not abandoned but only considered as expired and amount of cancelled applications was remitted back to his bank account from where funds were transferred to IGI Life.</p>																																								



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

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<p>Mr. Nadeem Amjad</p>	<p><i>It is submitted that all policies of this policyholder are active since 2012. Comment made on policy # 47252536 that policyholder has applied for reinstatement and "Wait for completion" requirement was written on 03.10.2018 (page #46 attached on annexure D)</i></p> <p><i>This can be clearly seen on policy file (status 20) which means "active". The policyholder applied for a new case on 01.10.2018 and the requirement for both new applied case and the earlier policy # 47252536 were sent together. These requirements were of "Bank Statement" (page # 40 &amp; 41 on annexure D) and "Account maintenance certificate" (page # 43 on annexure D) were received on 28.11.2018 and both cases were made active</i></p> <p><i>It is submitted that the earlier policy # 47252536 was not incomplete. The reinstatement requirement was pending, and once those were received, the policies were issued/reinstated (status 42). (Attached on page # 12, on annexure D).</i></p>
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**As regards para 12:  
Group Wide WIL/TF Program**

*IGI Life Insurance Limited has a detailed policy in vogue relating to or dealing with AML/CFT Regulations, 2018. Our holding company, i.e. IGI Holdings Limited is in the process of implementing a detailed group-wide ML/TF program in line with the said Regulations. Once completed, will be shared with SECP.*

**As regards point 13:  
Policy file did not contain copy of VERISYS**

*In Mr. Ghulam Hussain, policy No. 30000517/D1 - It is submitted that we have inadvertently missed out to attach the NADRA verisys. We carried out the verisys and attaching same herewith (page # 71). No issues found in the verisys.  
....."*

19. The hearing of March 25, 2019 was attended by the Authorized Representatives of the Respondents namely, Mr. Nadeem Rehman Malik and Mr. Ali Nadim through the video link from the Commission's Karachi Office.

20. During the hearing, the Authorized Representatives reiterated their comments and stated that the most of the observations of the inspection team were related to single premium policies. They maintained that the Company had relied on the documentary proof for sources of funds, whereas proofs of regular income of the policyholders had not been sought. The Authorized Representatives were of the view that in those cases, the banks were maintaining the record of the respective policyholders. The Authorized Representatives requested the Commission to take a lenient view in the matter.

21. The Respondents argued that they were under the impression that the Company needed to verify the source of funds rather than proof of regular income. However, the Authorized Representatives failed to appreciate the fact that that the sources of funds were required to be supported by some legitimate sources of income of the applicants/policyholders. In all the above-cited instances nowhere, the Company provided the proofs of income. The Company in its written response dated March 22, 2019, again explained that the proofs of sources of funds had been sought, which did



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not suffice the requirement of the Regulation 9(4) of the 2018 Regulations. Reiterating the inspection team's contention, it is important to have the source of income to combat ML and CFT, as a money launderer under the garb of various complex layers could hide the possible original ill-gotten source of wealth.

22. With regards to the cases that were categorized high risk and accordingly subjected to Enhanced Due Diligence (EDD), the Company did not obtain approval from the senior management. The Authorized Representatives admitted the gaps in obtaining approval from the senior management and stated that the Company had started obtaining approval from the senior management.

23. Regarding not obtaining documentary proof of job/business for single premium policies of Rs. 5 million and above, the Authorized Representatives reiterated their written response provided vide letter dated March 22, 2019 that '*.... following policies are single premium policies where premium is paid only once at the time of the issuance therefore, in our view source of regular income was not required....*'

24. Company's response is not tenable as Regulation 6(3) and Regulation 6(4) of the 2018 Regulations cited above do not differentiate between the single premium policies and other policies. Moreover, the objective of the law is to establish the identity of the applicant/policyholder and his/her income and source of funds. Hence, knowing the business or source of wealth is important for compliance with the law. In the following cases, the Company did not comply with the aforementioned requirement of the law:

- (a) Ms. Fatima Moin was described as CEO of ComCon yet the Company failed to provide the credentials relating to her business entity. No documentary evidence of the applicant's company, and that of the applicant's service with employer company were provided.
- (b) Mr. Tariq Mahmood Din was described as a retired person yet no evidence relating to his retirement from any organization was given.
- (c) Ms. Kishwar Tariq Allahwalla was described as principal, yet no such evidence was provided by the Company.
- (d) Mr. Ahmad Jamal's documents in the policy file showed him as a manager corporation, yet neither the policy file nor the reply with annexures produced a copy of his service with the said organization. Further, the Company did not provide any information regarding the corporation's business activities or function or website address or link or the applicant's connection with it.
- (e) Mr. Muzaffar Ahmed was stated as a senior government hospital doctor yet no evidence of his service was produced.
- (f) Mr. Muhammad Shabbir Yar Khan was described as employee in KSA yet again no employment evidence was shown.

25. All such shortcomings on the part of the Company, as stated above, were in contravention of the AML/CFT Policy and Procedure Part VII, a, b, as in case of salaried persons, in addition to CNIC, an attested copy of the service card, service certificate,



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pay slip, or letter head of the employer were required to be obtained. It may be read in conjunction with Regulation 6(3)(a) which requires for identifying the customer or beneficial owner and verifying the customer's/ beneficial owner's identity on the basis of documents, data or information obtained from customer and/or from reliable and independent sources.

26. In instances where purpose of taking/cancelling a policy was not clearly given, the Company's reply on the case of Mr. Ikram-ul-Haq made it clear that on average, all the 4 policies remain enforced only for a period of one and half year and the 5<sup>th</sup> policy, which was issued in September 2013 and cancelled after a month. Hence, no policy remained enforced for a considerable period. Besides, as discussed above that neither the source of income/wealth of this particular policyholder was clear enough, nor he was willing to share his bank statement. The Company, in the given situation should have probed the matter yet no such move on the part of the Company was visible.

27. Similarly, Mr. Shabbir Y. Khan, as per the record, got 12 policies within a short span of period i.e. July 2017 to Dec 2017, whereof the first 05 policies were termed as incomplete and the rest as active as stated by the Company. Yet neither the incomplete policies were stated as cancelled, nor the reasons were given by the Company as per the record. Besides, the Company did not produce the source of income and proof of business/job of this policyholder.

28. Inspection team also made observation about the Company having no group-wide program against ML/TF despite the fact that the Company is a part of a large financial and corporate group. During the inspection, the Company could not provide any evidence regarding group-wide program against ML/TF, in contravention of Regulation 19 of the 2018 Regulations. The Company in its written response dated March 22, 2019 admitted that 'IGI Limited is in the process of implementing a detailed group wide ML/TF program in line with the said Regulations. Once completed, will be shared with SECP'.

29. With regards to the inspection team observation that certain policy files could not produce copy of the Verisys as required under Regulation 6(4) of the 2018 Regulations, the Authorized Representatives admitted that it was inadvertently missed out to attach NADRA verisys.

30. It is pertinent to mention here that the Commission vide order dated March 22, 2016 under SRO 20(I)/2012 Anti-Money Laundering Rules and Regulations read with Section 156 of the Insurance Ordinance, 2000 in para 13 advised the Respondents to be careful in future. Excerpt from the aforesaid Order is reproduced below;

*"In view of the above and given due consideration to the written and verbal submissions of the Respondents, I am of the view that the default of SRO 20(I)/2012 Anti-Money Laundering Rules the Ordinance is established. However, I take a lenient view and do not impose penalty on to the Respondents I hereby advise the Company and its management to be careful and observe strict compliance of the SRO 20(I)/2012 Anti-Money Laundering Rules in future."*

31. Regulation 21 of the 2018 Regulations states that:



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*“Penalty.- (1) Any person who contravenes or fails to comply with any provision of these regulation made shall be liable to pay such sum as provided in section 40A of the Act, in addition to any penalty provided under AML Act.”*

32. I have carefully examined and given due consideration to the written and verbal submissions of the Respondents, and have also referred to the provisions of the Ordinance, the Rules made thereunder and/or other legal references. I am of the view that the violations of Regulation 6(3)(a), Regulation 6(3)(b), Regulation 6(4), Regulation 9(4)(a), Regulation 9(4)(b) and Regulation 19 of the 2018 Regulations, are clearly established, for which the Respondents may be penalized in terms of Section 40A of the Act.

33. Section 40A of the Act states that:

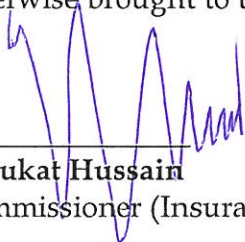
*“Penalty for violation of rules, regulations, directives and notifications. - (1) Any person who contravenes or fails to comply with any provision of rule made under section 39 or regulation made under section 40 or directive or notification issued under this Act shall be liable to pay by way of penalty a sum which may extend to ten million rupees and where the 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.*

*(2) A penalty under sub-section (1) shall be imposed by the Commission after providing a reasonable opportunity of being heard to the party.”*

34. In exercise of the power conferred on me under Section 40A of the Act, I, take a lenient view and do not impose fine on Board of Directors of the Company. However, I impose a fine of Rs. 30,000/- (Rupees Thirty Thousand only) on the Company under the said provision of the Act, due to the non-compliances, as mentioned hereinabove. The Company is further directed to report compliance with AML/CFT laws and Regulations within one month of the date of this Order. Moreover, the Respondents are hereby warned and directed to ensure full compliance with the Ordinance, rules, regulations and directives of the Commission in future.

35. Hence, the Company is hereby directed to deposit the applicable fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days from the date of this Order and furnish receipted vouchers issued in the name of the Commission for information and record.

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

  
**Shaukat Hussain**  
Commissioner (Insurance)

