

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Adamjee Life Assurance Co. Limited

Date of Hearing

January 13, 2020

**Order-Redacted Version**

Order dated January 30, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Adamjee Life Assurance Co. Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show Cause Notice dated January 1, 2020
2. Name of Company	Adamjee Life Assurance Co. Limited
3. Name of Individual*	Not Applicable.
4. Nature of Offence	Alleged violations of Regulation 4(a), Regulation 6(2), Regulation 6(5a)(c), Regulation 6(8), Regulation 14(6), Regulation 15(3), Regulation 20(aa), Regulation 20(a) and Regulation 20(b) of the of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018
5. Action Taken	<p>Relevant extracts from the Order on findings and outcome of the matter are as follows:</p> <p><i>“11. I have examined the submissions and arguments of the Respondents and their Authorised Representatives as well as the requirements of applicable provisions of the Regulations. I am of the considered view that the Respondents did not ensure their compliance with the mandatory provisions of the Regulations in the following instances:</i></p> <p>(i) <i>Admittedly, the Company has categorized all the 10 sample bancassurance policies as “low risk” without making proper documentation as evidence of CDD process which is violation of Regulation 15(3) that requires records of identification data obtained through CDD process like copies of identification documents, account opening forms, Know Your Customer forms,</i></p>



# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

	<p><i>verification documents, other documents and result of any analysis along with records of account files and business correspondence, shall be maintained for a minimum period of five years after termination of the business relationship.</i></p> <p>(ii) <i>The Company has admitted that all the bancassurance policies were being categorized as "low risk" prior to July 18, 2019. It may be noted that risk categorization is linked with the business segment rather than the channel through which the business is acquired from. Hence, the premise of risk adopted by the Company is flawed which is a violation of Regulations 6(2) and 6(8) of the Regulations.</i></p> <p>(iii) <i>The Company also failed to furnish a valid justification for categorizing a specified individual customer/policyholder who surrendered 3 policies with aggregate premium of Rs. 90 million before expiry of 2<sup>nd</sup> year and incurred a loss of Rs. 1.75 million. It is viewed that the said transaction necessitated a probe and documenting of the same with respect to its being unusual transaction requiring reporting. The Company did not document the analysis for considering decision of filing or not filing STR in respect of an unusual transaction with no apparent economic benefits, which is an established violation of Regulation 14(6) of the Regulations.</i></p> <p>12. <i>In view of the foregoing facts, I am of the considered view that flagrant and multiple violations of the provisions of Regulation 6(2), Regulation 6(8), Regulation 14(6) and Regulation 15(3) of the Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of <b>Rs. 700,000/- (Rupees Seven Hundred Thousand only)</b> is hereby imposed on the Company."</i></p>
6. Penalty Imposed	Penalty of Rs. 700,000/- (Rupees Seven Hundred Thousand only) was imposed on the Company.
7. Current Status of Order	Appeal was filed against this Order.

**Redacted version issued for placement on website of the Commission.**