

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

In the matter of Show Cause Notice issued to Askari General Insurance Co. Ltd.

Date of Hearing

March 13, 2020

Order-Redacted Version

Order dated March 25, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Askari General Insurance Co. Ltd. Relevant details are given hereunder:

Nature	Details
1. Date of Action	Show Cause Notice dated November 26, 2019
2. Name of Company	Askari General Insurance Co. Ltd.
3. Name of Individual*	Not Applicable.
4. Nature of Offence	Alleged violations of 4(a) & (d), Regulation 6(3)(a), Regulation 6(4), Regulation 6(8), Regulation 6(5a), Regulation 9(d), Regulation 12(1)(a),(b) & (d), Regulation 13(3), Regulation 13(6), Regulation 13(7), Regulation 14(1), Regulation 14(2), Regulation 15(1), Regulation 15(2), Regulation 15(3) and Regulation 20(a) & (b) of the of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018.
5. Action Taken	Relevant extracts from the Order on findings and outcome of the matter are as follows: <i>"8. I have examined the submissions and arguments of the Respondents and their Authorized Representatives in light of 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> <i>(i) Though the Company has stated that it has developed separate KYC forms for individual and corporate clients, which contain the list of requisite documents. However, the Company did not obtain identification documents i.e.</i>



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	<p><i>copies of CNICs in the cases examined by the inspection team for identification and verification of customers and/or beneficial owners. Thus, violation of Regulation 6(3)(a) has been established.</i></p> <p>(ii) <i>With regard to the observation of failure in undertaking risk profiling of its customers, the Company has stated that the Non-Life insurance sector has been assessed as 'low risk' in the National Risk Assessment 2019. It may be noted that NRA 2019 has only mentioned the vulnerability level of non-life insurance sector with respect to AML/CFT but it does not imply that risk categorization of customers of non-life insurance sector would be the same. Therefore, the justification of the Company, for not carrying out the mandatory requirement of risk profiling of its individual and corporate customers of various products of non-life insurance business, is not plausible and constitutes violation of Regulations. In all the sample cases examined by the inspection team, the risk profiling of respective customers was not carried out. This state of affairs establishes the violations of Regulation 6(8).</i></p> <p>(iii) <i>Admittedly, the Company did not obtain the identification and CDD documents of its customers from the Bank. The Company failed to obtain identification documents of customers in 11 cases and/or beneficial owners and/or the nature of business of the customers as required by Regulation 12(1)(a) of the Regulations. The Company did not take any step to make sure that CDD related documentation would be made available upon request without delay as required by Regulation 12(1)(b) of Regulations. The Company did not have any agreement in place with the banks to ensure the confidentiality of information of its customers obtained by the bank on its behalf as required by Regulation 12(1)(d) of the Regulations. Therefore, violations of Regulation 12(1)(a), 12(1)(b) and 12(1)(d) were made while making reliance on third party.</i></p> <p>(iv) <i>The Company's Revised AML/CFT Policy and Procedures Manual was approved in the Board of Directors' meeting held on December 31, 2019 keeping in view the observations made in SCN. Therefore, multiple</i></p>
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violations of Regulation 4(a) were made prior to revision when the Company did not have approved procedures for performing CDD, risk categorization, EDD, identifying high net worth individuals and reporting of suspicious transactions through Suspicious Transaction Reports.

- (v) *In the absence of any policy or procedures aimed at ongoing monitoring of its customers by conducting the periodical review of adequacy of customers' information and continuous monitoring of relationships with them, the Company was not implementing the said necessary measures. The Company has subsequently updated its policy to incorporate ongoing monitoring of its customers. Therefore, prior to making the amendments in policy which were approved by the Board of Directors on December 31, 2019, the violations of Regulation 13(3) and 13(7) were made.*
- (vi) *The Company's AML Policy did not address the important area of the AML trainings of its employees as there were no details on preparation of training programs, frequency of trainings, assessment methodologies to assess adequacy of knowledge of staff and their responsibilities relating to AML/CFT. No such training record was provided to the inspection team to confirm whether the contents/training materials used during the trainings were sufficient for the employees to enable them to understand new developments, AML/CFT techniques, methods, trends, and their responsibilities in respect of AML/CFT, in line with the requirement of Regulation 20(b) of the Regulations. This state of affairs constitutes violations of Regulation 4(a) and 20(b).*
- (vii) *Admittedly, the Company's Internal Audit Department neither planned nor carried out any internal audit for the year 2019 to test the Company's policy, system, and procedures in order to ensure compliance with Regulation 4(d). Therefore, violation of Regulation 4(d) is established.*

9. *In view of the foregoing facts, I am of the considered view that multiple and flagrant violations of the provisions of Regulations, as narrated in the forgoing para, have been established. Therefore, in terms*



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	<i>of powers conferred under section 40A of the Act, a penalty of Rs. 600,000/- (Rupees Six Hundred Thousand only) is hereby imposed on the Company."</i>
6. Penalty Imposed	Penalty of Rs. 600,000/- (Rupees Six 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.