

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

In the matter of Show Cause Notice issued to EFU General Insurance Limited

Date of Hearing

February 19, 2020

**Order-Redacted Version**

Order dated March 9, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of EFU General Insurance Limited. Relevant details are given hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show Cause Notice dated January 27, 2020
2. Name of Company	EFU General Insurance Limited
3. Name of Individual*	Not Applicable.
4. Nature of Offence	Alleged violations of Regulation 4(a), Regulation 6(3)(a), Regulation 6(4), Regulation 6(5a)(c), Regulation 6(9), Regulation 7(1), Regulation 7(2), Regulation 18(c), Regulation 19 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>"8. I have examined the submissions and arguments of the Respondents and their Authorised 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></p> <p>(i) <i>As per the findings of the internal audit report dated July 15, 2019, out of a sample of 70, client identification in 5 cases was incorrectly marked in the system. (Client Proprietor as salaried, Private Company as Foreign Co., SMC). Though the Company stated that the errors were corrected subsequently yet violations of Regulation</i></p>



# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

	<p>6(3)(a) were committed as the Company did not identify the customers or beneficial owners correctly at the first place which is essential for verification of identity of customers/beneficial owners. Moreover, the said violations were observed in a sample of clients only; the risk of more such cases of incorrect identification of clients cannot be ruled out. Thus, violation of Regulation 6(3)(a) has been established.</p> <p>(ii) As per the findings of the internal audit report dated July 15, 2019, in 12 cases out of a sample of 70, certain documents required under Annexure -I to the Regulations were not obtained. These documents included service card in case of customers who are salaried individuals, declaration form in case of sole proprietorship, partnership deed in case of AOP, Forms A and 29 in case of company, published accounts, Trust Deed in case of NGO and Trust Deed in case of Trust. These constitute violations of Regulation 6(4) read with Annexure I to the Regulations.</p> <p>(iii) The AML/CFT Policy of the Company and Proposal Form/Cover Note in respect of Contractors All Risks (CAR) Insurance Policy provided by the Company do not bear any mention for identification and verification of beneficial ownership of legal persons and legal arrangements. In the absence of such AML/CFT policy, the beneficial ownership would not be identified and verified in cases where CAR policies are issued by the Company to legal persons or legal arrangements. When the AML/CFT policy of the Company does not require identification and verification of beneficial ownership in CAR policies, proposal form/cover note would also not seek submission of such information. This has resulted in violation of Regulations 7(1), 7(2) and 4(a).</p> <p>(iv) The Company prepared the consolidated financial statements for the year 2018 consisting of EFU General Insurance Limited and its subsidiary, EFU Life Assurance Limited. As per the consolidated financial statements of the group for the year 2018, it has been reported that "In March 2018, the Board of Directors assessed its control proposition in relation to its investments in EFU Life Assurance Limited and declared</p>
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	<p><i>EFU Life as the Company's subsidiary." Shareholding Pattern of EFU Life as of December 31, 2018 shows 43.42% holding by EFU General. Based on these facts, the Company is required to ensure its compliance with Regulation 19 which requires that the Financial Group should implement group-wide programmes against ML/TF. Therefore, the stance of the Company that Regulation 19 does not apply is not plausible. This has resulted in violation of Regulation 19.</i></p> <p>(v) <i>The Company has stated that it has provided the training on AML to 449 employees including 252 marketing staff/agents. As per annual audited accounts of the Company for the year 2018, average number of employees during the year are 1,234 (2017: 1,237). This shows that the Company still has to arrange the training for a majority of its employees. However, the Company did not conduct the Training Need Analysis for its employees in order to ascertain the specific topics and scope of the training on AML to be provided to its remaining employees. Therefore, the Company has not complied with Regulation 20(b).</i></p> <p>9. <i>In view of the foregoing facts, I am of the considered view that multiple violations of the provisions of Regulation 6(3)(a); Regulation 6(4) read with Annexure I to the Regulations; Regulations 7(1), 7(2) and 4(a); Regulation 19; and Regulation 20(b) of the Regulations have been established. Therefore, in terms of powers conferred under section 40A of the Act, a penalty of <b>Rs. 500,000/- (Rupees Five Hundred Thousand only)</b> is hereby imposed on the Company."</i></p>
6. Penalty Imposed	Penalty of Rs. 500,000/- (Rupees Five Hundred Thousand only) was imposed on the Company.
7. Current Status of Order	Appeal was filed under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 before the SECP's Appellate Bench.

Redacted version issued for placement on website of the Commission.