

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to The Cooperative Insurance Society of Pakistan Ltd.

Dates of Hearing

January 17, 2022

Order-Redacted Version

Order dated April 12, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of The Cooperative Insurance Society of Pakistan Ltd. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated October 07, 2021.
2. Name of Company	The Cooperative Insurance Society of Pakistan Ltd. (the Respondent)
3. Name of Individual*	The proceedings were initiated against the Company.
4. Nature of Offence	Alleged contraventions of <u>Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the AML Regulations) read with Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the Act).</u>
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the facts of the case and considered the submissions and arguments of the Respondent and its Authorized Representatives in light of the requirements of applicable provisions of the AML Regulations. I am of the considered view that the Respondent did not ensure its compliance with the mandatory provisions of the AML Regulations as detailed hereunder:</p> <p>(i) It is evident from the policy files selected on random sample basis that the Respondent did not carry out CDD in respect of 50 policies issued in the year 2019 and 25 policies issued in the year 2020. In fact, none of the sample policy files contained any CDD document. This state of affairs</p>

	<p>establishes violation of regulation 6(2) of the AML Regulations.</p> <p>(ii) Since the documents required for conducting CDD including CNICs were not obtained from the policyholders pertaining to the sample files, as prescribed under Annexure I of the AML Regulations, the Respondent failed to identify the policyholders or their beneficial owners. Moreover, verification of their identity was also not carried out through NADRA Verisys of their CNICs. Therefore, the Respondent did not comply with the requirements of AML Regulations 6(2), 6(3)(a) and 6(4) read with Annexure I of the AML Regulations.</p> <p>(iii) The Respondent has stated that it carries out simplified due diligence as most of their policyholders live in rural areas and AML risk is very nominal. However, regulation 6(8) requires that each customer shall be categorized as high or low risk, depending upon the <u>outcome of the CDD process</u>. Therefore, risk categorization of the policyholders does not conform the requirement of regulation 6(8) of the AML Regulations.</p> <p>(iv) The Respondent does not have agreement in place with Punjab Provincial Cooperative Bank Limited on which it relies for conducting CDD and obtaining CNIC and other required documents. This has resulted in violation of regulation 12(1) of the AML Regulations.</p> <p>(v) The Respondent has stated that references of its employees are checked. However, merely checking of reference could not be adequate and effective procedure to ensure compliance with regulation 20(aa) of the AML Regulations which provides that the Regulated Person shall have screening procedures to ensure <u>high standards</u> when hiring employees. In addition to checking their references, character certificate of prospective employees need to be obtained from local police station in order to rule out the possibility of any criminal record. Therefore, the Respondent did not ensure compliance with regulation 20(aa) of the AML Regulations.</p> <p>I am of the considered view that multiple violations of the applicable provisions of the AML Regulations, have been established. Therefore, in terms of powers conferred under Section 40A of the Act, a penalty of <u>Rs.125,000/- (Rupees One Hundred Twenty-Five Thousand Only)</u> is hereby imposed on the Respondent.</p>
6. Penalty Imposed	Rs.125,000/-
7. Current Status of Order	No Appeal has been filed by the respondents.