

CRITERIA AND CONDITIONS FOR GRANT OF LICENCE FOR ESTABLISHING MICROFINANCE BANKS/INSTITUTIONS

1. The Microfinance Banks / Microfinance Institutions shall be companies public or private incorporated in Pakistan under Companies Ordinance 1984.
2. The Memorandum and Articles of Association of the MFB / MFI and the proposed name shall be got cleared from State Bank of Pakistan (SBP) before incorporation with SECP;
3. To be able to commence business the MFB/MFI shall have a minimum paid up capital of Rs.500 million, Rs.250 million and Rs.100 million respectively for countrywide, specific province-wide and specific District-wide operations. The NGOs/Projects having exposure and understanding of the dynamics of the MF Sector may apply for a license under MFIs Ordinance and they may contribute up to 50 percent of their capital in form of their existing portfolio of micro-credit and other assets (net of losses) after due diligence by a reputed Chartered Accountancy firm on the SBP's panel of auditors.
4. At least 51% of the total paid up capital shall be subscribed by the promoters or sponsor members and the shares subscribed to by the sponsors shall remain in the custody of State Bank and shall not be transferable nor encumbrance of any kind shall be created thereon without prior permission in writing from SBP.
5. The number of sponsor Directors shall not be less than seven. The amount proposed to be subscribed by each sponsor Director is required to be indicated separately.
6. Sponsor Directors should have declared personal Net Worth, which should not be less than the amount to be subscribed by them personally. The Net Worth of each sponsor Director is required to be indicated and supported by a duly

authenticated copy of the latest Wealth Statement filed with the taxation Department. In the case of sponsor Directors residing in countries where filing of Wealth Statement is not a requirement of law, a certificate of Personal Net Worth and General Reputation issued by an international bank of repute would be acceptable. This facility would also be available to applicants who have recently returned to Pakistan.

7. The institutional sponsors shall submit a resolution of their respective Boards/Governing Bodies for i) sponsoring the MFB/MFIs either individually or in collaboration with other persons ii) the amount to be subscribed and iii) the nomination of Directors representing the institution on the MFB/ MFI Board. It shall also submit latest audited financial statements along with the auditors' opinion on the financial repute and capacity of the institution to make the proposed investment in the MFB/MFI.
8. The Sponsor Directors and Chief Executive shall submit commitment letters to serve against their respective positions.
9. Foreign investment shall be allowed in accordance with the Govt. Foreign Investment Policy. While dividends may be repatriated with SBP approval, the repatriation of principal will be allowed at inter-bank exchange rate in case of sale of shareholding to sponsors acceptable to SBP.
10. Applications shall stand disqualified if any of the sponsor Directors or their spouses:
 - a) has been convicted by a court of law in Pakistan or abroad for a criminal offence;
 - b) has been associated with any illegal activity especially contravention of banking and corporate laws.
 - c) has failed to meet his obligations to banks and other financial institutions. They shall furnish names of the banks/DFIs along with the

names of the branches with which they have had dealings. Banks or DFIs reports are also required to be submitted.

- d) has defaulted in payment of taxes- each director and sponsor shall indicate his/her National Tax Numbers.
- e) is or has been associated as Director/Chief Executive with the Corporate Bodies whose corporate and tax record including customs duties, central excise and sales tax has been unsatisfactory. They shall name the corporate bodies, their bankers and disclose their tax numbers and dividend record. Those not so associated with Corporate Bodies would be required to indicate their occupation/profession/trade and highlight their achievements.
- f) In the opinion of the sanctioning authority enjoys adverse reputation regarding integrity and performance.

11. No person can be on the Board of more than one Microfinance Banks/Institutions. Similarly, no group shall be granted licence for opening more than one Microfinance Banks/ Institutions.

12. Not more than 25% of the Sponsor Directors should be from the same family i.e. husband, wife and their parents and children.

13. The Chief Executive shall be a professional having sufficient experience as Microfinance Specialist or Senior Banker with no adverse information regarding his integrity and performance and his appointment as Chief Executive shall be subject to SBP clearance;

14. The MFIs must commence operation within six months of the grant of license by the SBP.

15. The applicant shall also submit following documents with the application:

- i. Feasibility Study for setting up the Microfinance Bank/Institution in the specified area i.e. the specific district, province or the whole country;
 - ii. The organizational structure alongwith detailed CVs of the Chief Executive and the Senior Management team;
 - iii. The microfinance model(s), which the proposed MFB/MFI would be using for extending MF Services and
 - iv. Short term and long term business plans
16. The applicant shall deposit a pay order or demand draft of Rs.500,000/- (Rupees five hundred thousands) favouring State Bank of Pakistan along with the application as processing fee. The fee so deposited shall be non-refundable.
17. The Microfinance Banks / Institutions, which may be permitted to be established, shall bound to comply with the provision of Microfinance Institution Ordinance 2001, Rules Regulations framed under it and SBP directives to be issued from time to time.
18. Those interested in establishing a Microfinance Bank/Institution under Microfinance institutions Ordinance 2001 may apply to the Director, Banking Supervision Department, State Bank of Pakistan, P.O. Box No. 4456, Telephone No. 9212507, Central Directorate, Karachi or downloaded from the State Bank's website www.sbp.org.pk. Applications may be made giving details with supporting documents, forms for which can be obtained directly from the State Bank. Applications, which are not complete in all respects, shall not be considered.

<><><><><><><><><>

**CRITERIA AND CONDITIONS FOR GRANT
OF LICENCE FOR ESTABLISHING
MICROFINANCE BANKS/INSTITUTIONS**

11. The Microfinance Banks / Microfinance Institutions would be companies incorporated in Pakistan under Companies Ordinance 1984.
12. The Memorandum and Articles of Association of the MFBs / MFIs and the proposed names will have to be cleared from SBP before incorporation with SECP;
13. To be able to commence business MFB/MFI shall have a minimum paid up capital of Rs.500 million, Rs.250 million and Rs.100 million respectively for countrywide, specific province-wide and specific District-wide operations

The NGOs/Projects having exposure and understanding of the dynamics of the MF Sector may apply for a license under MFIs Ordinance and they may contribute up to 50 percent of their capital in form of their existing portfolio of micro-credit and other assets (net of losses) after due diligence by a reputed Chartered Accountancy firm on the SBP's panel of auditors.

14. At least 51% of the total paid up capital shall be subscribed by the promoters or sponsor members and the shares subscribed to by the sponsors shall remain in the custody of State Bank and shall not be transferable nor encumbrance of any kind shall be created thereon without prior permission in writing from SBP.
15. The number of sponsor Directors shall not be less than seven. The amount proposed to be subscribed by each sponsor Director is required to be indicated separately.

16. Sponsor Directors should have declared personal Net Worth, which should not be less than the amount to be subscribed by them personally. The Net Worth of each sponsor Director is required to be indicated and supported by a duly authenticated copy of the latest Wealth Statement filed with the taxation Department. In the case of sponsor Directors residing in countries where filing of Wealth Statement is not a requirement of law, a certificate of Personal Net Worth and General Reputation issued by an international bank of repute would be acceptable. This facility would also be available to applicants who have recently returned to Pakistan.
17. The institutional sponsors shall submit a resolution of their respective Boards/Governing Bodies for i) sponsoring the MFB/MFIs either individually or in collaboration with other persons ii) the amount to be subscribed and iii) the nomination of Directors representing the institution on the MFB/ MFI Board. It shall also submit last three years audited financial statements along with the auditors' opinion on the financial repute and capacity of the institution to make the proposed investment in the MFB/MFI.
18. The Sponsor Directors and chief Executive shall submit commitment letters to serve against their respective position.
19. Foreign investment shall be allowed in accordance with the Govt. Foreign Investment Policy. While dividends may be repatriated with SBP approval, the repatriation of principal will be allowed at inter-bank exchange rate in case of sale of shareholding to sponsors acceptable to SBP.
20. Applications shall stand disqualified if any of the sponsor Directors or their spouses:
 - a) has been convicted by a court of law in Pakistan or abroad for a criminal offence;
 - b) has been associated with any illegal activity especially contravention of banking and corporate laws.

- c) has failed to meet his obligations to banks and other financial institutions. They shall furnish names of the banks/DFIs along with the names of the branches with which they have had dealings. Banks or DFIs reports are also required to be submitted.
- d) has defaulted in payment of taxes- each director shall indicate his/her National Tax Numbers.
- e) Is or has been associated as Director/Chief Executive with the Corporate Bodies whose corporate and tax record including customs duties, central excise and sales tax has been unsatisfactory. They shall name the corporate bodies, their bankers and disclose their tax numbers and dividend record. Those not so associated with Corporate Bodies would be required to indicate their occupation/profession/trade and highlight their achievements.
- f) In the opinion of the sanctioning authority enjoys adverse reputation regarding integrity and performance.

14. Neither a person can be on the Board of more than one Microfinance Banks/Institutions, nor one group shall have more than one Microfinance Banks/ Institutions.

15. Not more than 25% of the Sponsor Directors should be from the same family i.e. husband, wife and their parents and children.

16. The Chief Executive shall be a professional having sufficient experience as Microfinance Specialist or Senior Banker with no adverse information regarding his integrity and performance and his appointment as Chief Executive shall be subject to SBP clearance;

14. The MFIs must commence operation within six months of the grant of permission.

15. The applicant shall also submit following documents with the application:
- v. Feasibility Study for setting up the Microfinance Bank/Institution in the specified area i.e. the specific district, province or the whole country;
 - vi. Detailed CVs of the Chief Executive and the Senior Management team alongwith their concurrence to work for the proposed bank instead of just mentioning their names.
 - vii. The microfinance model(s), the proposed MFB/MFI would be using for extending MF Services
 - viii. Short term and long term business plans
16. The applicant shall deposit a pay order or demand draft of Rs.500,000/- (Rupees five hundred thousands) favouring State Bank of Pakistan along with the application as processing fee. The fee so deposited shall be non-refundable.
17. The Microfinance Banks / Institutions, which may be permitted to be established, shall be subject to the Microfinance Institution Ordinance 2001, Rules Regulations framed under it and SBP directives to be issued from time to time.
18. Those interested in establishing a Microfinance Bank/Institution under Microfinance institutions Ordinance 2001 may apply to the Director, Banking Supervision Department, State Bank of Pakistan, P.O. Box No. 4456, and Telephone No. 9212504, Central Directorate, Karachi. Applications may be made giving details with supporting documents, forms for which can be obtained from the State Bank. Applications, which are not complete in all respects, shall not be considered.

<><><><><><><><><>

