

Licensing Criteria for setting up Credit Bureau in Pakistan

Background:

The credit exposure and repayment history of a person or entity are among most important elements for risk assessment and loan appraisal. The credit registry (eCIB) developed over the years by SBP has been providing reliable credit information to the member financial institutions. However, it is endeavor of SBP to pave the way for creating conducive environment for establishment of credit bureaus in private sector. The promulgation of Credit Bureaus Act, 2015 (CBA) is the corner stone in this direction.

“Licensing criteria for setting up Credit Bureaus in Pakistan” have been framed in terms of power conferred upon SBP under Section 4 of the CBA, 2015. The document sets forth minimum requirements and application procedure for establishment of a credit bureau in private sector. SBP may amend the licensing requirements, as and when deemed appropriate.

1. Definitions:

The terms mentioned in this document shall have the same meaning as defined in Credit Bureaus Act, 2015 and Credit Bureaus Regulations.

2. Policy considerations:

The very objective of establishment of credit bureaus in private sector is to enhance the scope of credit information, provision of value added services to the financial sector, bring in efficiency and provide general public access to their credit information. Consequently, in addition to good governance and ongoing viability of the entity, the prospective applicants shall also be assessed with respect to their ability to achieve these broad policy objectives. For the sake of guidance important element that form basis for acceptance or rejection of any application for establishing credit bureau are as follows:

a) Governance

Good governance is prerequisite for the success of any organization. SBP while evaluating the application will ensure that the sponsors, directors and key executives of the prospective credit bureau enjoy good repute and professional integrity. In this connection the qualification and experience of the directors (especially independent directors), CEO and key executives provide a reasonable future outlook of the governance of proposed entity. SBP while evaluating the application shall review the past performance and professional expertise of the Directors, CEO and key executives. The applicant having management /directors who have experience of running a credit bureau shall have added advantage.

b) Data Integrity & Security

The credit bureaus being custodian of financial information of individuals/corporate has the responsibility to ensure privacy and confidentiality of the information. Any breach of confidentiality and security of data shall have serious repercussions for the data reporting entities and the credit bureau. The related checks for data integrity and security shall be

an important consideration of SBP while evaluating application for establishing credit bureau.

c) Operational Efficiency & Financial Viability

The information provided by the credit bureau is an important factor to evaluate the credit worthiness and make business decisions. It would, therefore, be of prime importance that the service is available without any disruption; the information provided is up to date and accurate. Being an important pillar of financial services infrastructure of the country, financial viability, future growth and efficient service standards, etc; of the prospective credit bureau will also be evaluated.

d) Business Conduct

While the conduct can truly be assessed once the credit bureau starts its operations, the credentials of key executives, track record/ repute of the sponsors, business plan and organizational structure somewhat indicate how the entity would deal with the public and its reporting entities. SBP expect that the applicant shall provide details relating to handling of complaints in their proposed business plan

3. Eligibility Criteria

Any person who fulfills following minimum requirements may apply for a license to establish and operate a credit bureau in Pakistan:-

- i. The credit bureau shall be a public limited company established under Companies Ordinance, 1984;
- ii. The entity shall have a minimum paid-up capital (free of losses) of Rupees 250 Million before commencement of operations and shall also meet additional capital requirement as prescribed by SBP from time to time;
- iii. Sponsors' contribution to the equity / capital of the proposed credit bureau will be required to be met out of net worth declared and supported by a duly authenticated copy of the latest 'wealth statement' filed with the taxation department. Contribution out of borrowings from financial institutions shall not be acceptable. 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.
- iv. The sponsors meet the "fit and proper" criteria prescribed by SBP;
- v. Compliance of requirements prescribed in Section 5 of Credit Bureaus Act, 2015 and related rules and regulations.
- vi. Foreign shareholding would be subject to compliance of SBP Foreign Exchange rules and regulations.

4. Licensing Procedure:

The procedure to obtain license for the establishment of a credit bureau in Pakistan is as follows:-

a) Submission of Application

Sponsors, desiring to establish a credit bureau, shall submit application to the Director, Banking Conduct & Consumer Protection Department (BC&CPD), State Bank of Pakistan, Karachi as per format given in Annexure-I along with a payment order of Rs 500,000 drawn in favor of the State Bank of Pakistan as application processing fee (non refundable). The application should be complete in all respect except information relating to certificate of incorporation with SECP. Incomplete applications shall not be entertained by SBP.

b) NOC for Incorporation with SECP

On receipt of the application, SBP shall conduct preliminary assessment of the application and may grant NOC for incorporation of the proposed credit bureau as a public limited company or decline the application, as deemed appropriate. Further, granting of NoC should not be considered as final approval. The applicants who do not qualify the preliminary assessment shall be informed and will be given an opportunity of being heard.

c) Incorporation with SECP

After receiving NOC from SBP, sponsors shall apply to SECP for incorporation as a public limited company. Upon incorporation of the company, sponsors shall intimate SBP along with certificate of incorporation. SBP may require additional information, as deemed necessary.

d) Grant of License

Where the SBP is satisfied, it shall issue license with the condition that the applicant shall obtain certificate of commencement of business from SBP within 6 months of the grant of license. In case an applicant fails to obtain certificate of commencement of business, the license so granted shall stand cancelled. SBP may, however, extend the period of 6 months provided the sponsors approach SBP with genuine reasons, which will be decided by SBP on merit.

e) Audit report on IT Systems

- i. The applicant shall establish infrastructure necessary to carry on its operations within 4 months of receipt of a license and inform SBP that it is ready to commence its business. The applicant shall also submit to SBP an audit report on adequacy of systems, policies and IT infrastructure conducted by an auditing firm on the panel of auditors maintained by SBP. The audit report should be an assessment of the credit bureau's IT infrastructure with respect to data security standards prescribed by SBP in credit bureaus regulations and other international standards.
- ii. SBP may, if required, carry out on-site inspection to satisfy itself with regard to the adequacy of the IT system, policies and infrastructure.
- iii. Sponsors shall also submit a certificate of compliance with respect to capital requirement, duly verified and signed by an auditing firm, on the panel of auditors maintained by SBP.

f) Commencement of Business

SBP upon its satisfaction and completion of aforementioned requirements shall issue certificate of commencement of business. SBP may endorse a license granted under these regulations with such conditions as deemed necessary and may; from time to time, add, vary or substitute such conditions.

5. Validity of the License

A license once issued under the Act shall remain valid unless it is revoked by SBP.

6. Revocation or Suspension of a License

SBP may revoke or suspend license of a credit bureau if it:-

- a. does not apply to SBP for obtaining a Certificate of Commencement of Business within six months from the date the license was issued. SBP may, however, consider a request received in writing prior to expiry period for an extension in commencement of business supported by valid reasons which will be decided by SBP on merit;
- b. obtained the license on the basis of wrong, false, misleading information or concealment of material information;
- c. applies to SBP for revocation or suspension of license;
- d. has ceased to meet the licensing and operational requirements prescribed by the Act, rules and regulations;
- e. has failed to comply with any condition of the licence;
- f. has violated the provisions of any applicable law or rules & regulations or is insolvent or unable to effectively conduct its operations or has compromised the public trust through its activities;
- g. has failed to comply with any material obligation imposed on it;
- h. has engaged in restricted/non admissible activities;
- i. is unable or has failed to protect the confidentiality of data or information it collects;
- j. has, without the consent of the SBP, amalgamated with another entity or sold or otherwise transferred its business, assets or liabilities to another entity;
- k. a winding-up order has been made against it or a resolution for voluntary winding up has been passed;
- l. has been engaged in using the information collected, for any purpose which is not permitted.

7. GENERAL:

The criteria and other regulatory requirements set out are the minimum requirements to be met by an applicant for obtaining credit bureau license from SBP under section 4 of CBA, 2015. However, SBP may impose additional conditions, as deemed necessary, for issuance of license to an applicant. Further, meeting with the above criteria/conditions by an applicant does not guarantee that SBP shall necessarily issue license to the applicant. It is sole discretion of SBP to grant or deny the application.

**APPLICATION FORM FOR ESTABLISHMENT OF
CREDIT BUREAU (on Company's Letter Head)**

Date of Application-----

The Director
Business Conduct and Consumer Protection Department
State Bank of Pakistan
I.I. Chundrigar Road
Karachi, Pakistan

Dear Sir,

PERMISSION TO ESTABLISH A CREDIT BUREAU

We hereby apply for a license to commence business of credit bureau in Pakistan in terms of Section 4 of the Credit Bureaus Act, 2015. We furnish herewith information required by the State Bank of Pakistan in Form 'A' to the Annexure-I. We understand that misreporting, concealment or incomplete information shall attract outright disqualification/rejection of application. It is certified that all the sponsors mentioned in the Form 'A' have authorized the undersigned to sign and pursue application on their behalf.

Yours faithfully,

Signature of Applicant:-----

Name of the applicant:-----

Designation:-----

Address: -----

APPLICATION TO BE SUBMITTED BY SPONSORS / DIRECTORS
AS PER FOLLOWING FORMAT

1. Name of the Credit Bureau: _____

2. Website
(URL): _____

3. Contact person's name, address, telephone number, fax number(s) and email:

4. Address of Head Office: _____

5. Date of Incorporation (to be provided after issuance of NOC by SBP) _____

6. National Tax Number: _____

7. Authorized Capital of the bureau as on the date of application: Rs. _____

8. Paid-up capital of the bureau as on the date of application: Rs. _____

9. Name of the Chief Executive Officer, qualification, experience, age.

10. Has any of the Sponsor Directors or their spouses been associated with any illegal activity?

Yes/ No

(If yes please provide details)

11. (a) Has any of the Sponsor Directors or their spouses or their firms failed to meet his/her obligations to banks and other financial institutions or have been convicted of fraud.

Yes/ No

(If yes please provide details)

(b) Has any of the Sponsor Directors or their spouses or their firms been adjudicated as insolvent?

Yes/ No

If yes, please provide details.

(c) Has any of the Sponsor Directors or their spouses convicted of any offence involving fraud, breach of trust or moral turpitude?

Yes/ No

If yes, please provide details.

(d) Is any of the Sponsor Directors or their spouses or their firms hold such office with any other company business or activity which is or likely to be in conflict with the business of the Credit Bureau?

(Please see Section 5 (1) (d) of the Credit Bureaus Act, 2015 for detail)

Yes/ No

If yes, please provide detail.

12. Has any of the Sponsor Directors or their spouses or firms defaulted in payment of taxes and liabilities towards other Government Agencies?

Yes/No

If yes, please provide details.

13. Has any of the Sponsor Directors and their spouses been associated as Director or Chief Executive with any corporate body, whose corporate and tax record (including customs duties, central excise and sales tax) has been unsatisfactory?

Yes/No

If yes, please provide following details of the same:

Names of Corporate Bodies with which Sponsor Directors and their spouses have been associated	NTN of the corporate bodies	Names of banks and other financial institutions alongwith the names of branches with which corporate bodies are/have been dealings	Account Numbers	Dividend declared in the preceding three years
a.	b.	c.	d.	e.

14. Is any of the Sponsor Directors is a Director of a bank or financial institution? Yes/No
If yes, please provide names of such institutions.

15. Please indicate expertise and other facilities available for running a credit bureau.

16. Please attach a certified copy of following documents with the application:

- a. Memorandum of Associations.
- b. Article of Association.
- c. Certificate of Incorporation with SECP (to be provided after issuance of NOC by SBP).
- d. Copy of Balance Sheet and Profit and Loss Accounts, if available.
- e. Curriculum Vitae of the chief executive and every director of the credit bureau.
- f. Copies of tax returns and bank statements of the chief executive/ directors for the last three years.
- g. List and description of other credit reporting agencies (outside Pakistan) which are connected to or associated with the credit bureau.
- h. Business feasibility report (consisting of business strategy, short & long term business plans, viability, financial projections for at least 3 years, etc.)
- i. Any other relevant document (s).
- j. Pay order/bank draft for Rs. 500,000/- in favour of State Bank of Pakistan for non-refundable processing fee.

17. Details of existing/proposed infrastructure including the technology, security, facilities for hosting the data centre/hard wares.

18. Copy of Data Loading Module Manual, Source Quality Control Manual, Security Module Manual, User Manual, Complaints handling mechanism, etc.

19. Details of outsourcing arrangements made/to be made.

20. Detail of associated/subsidiary companies.

21. FPT details of the Directors / Sponsors / Chief Executive Officer of the bureau as per annexure II, III and IV of Credit Bureaus Regulations.

Name(s) & Signature(s) of the applicant:

Date: _____