

**RULES OF THE IMPROVING ACCESS TO
FINANCIAL SERVICES FUND**

1. THE FUND

There shall be a fund to be known as the Improving Access to Financial Services Fund (IAFSF or the Fund). The IAFSF shall be operated by the SME & Microfinance Department (SMFD) of the State Bank of Pakistan (SBP) or such other SBP department as may be designated by the SBP Governor in accordance with these Rules. The IAFSF shall be part of an overall program “Improving Access to Financial Services Program” (IAFSP) funded by the Asian Development Bank (ADB) to the Government of Pakistan.

2. OBJECTIVES OF THE FUND:

The objective of the Fund shall be to provide grant financing for the following activities and programs:

- (i) Training and Capacity Building
- (ii) Literacy Programs

3. DURATION OF THE FUND:

The Fund shall be established for twenty years at SBP to provide a long-term source of funds for the envisaged literacy programs and capacity building initiatives of various stakeholders including financial services providers comprising entities providing financial services such as microfinance banks, non-government organizations, rural support programs, Islamic banks, leasing companies and commercial banks (Financial Services Providers); clients and potential clients; and Government and regulatory authorities.

4. FINANCING:

- (i) Counterpart funds (in Pakistani rupees) generated from the proceeds of the \$20 million equivalent Special Funds resources component of the first tranche of IAFSP shall be contributed by the Government to the Fund.
- (ii) The Fund shall be established as an endowment fund, whereby the income generated from the Fund shall be used for supporting the activities described above on a grant basis, and the initial \$20 million equivalent capital contribution shall remain in place for the life of the Fund i.e. 20 years. After completion of the Fund period, the funds remaining in the Fund shall be returned to the Government.

5. FINANCING ACTIVITIES:**(i) Training and capacity building:**

The training and capacity building program for Financial Services Providers and Government and regulatory authorities shall include the following:

- (a) National, provincial, and district level microfinance banks (MFBs) that currently operate in, or plan on expanding into, rural and remote areas to support development of product and service innovation, including savings, remittances and Islamic financial services.
- (b) Financial Services Providers adopting and integrating new technologies and applications, including mobile money transfer and VSAT technologies, for improving access to financial services.
- (c) Government and regulatory authorities to support development of an inclusive financial sector and implementation of measures under IAFSP.

(ii) Literacy Programs:

Literacy programs to improve access to financial services by the poor shall include the following:

- (a) Literacy programs (financial and basic) conducted for clients and potential clients of Financial Services Providers
- (b) Financial Services Providers may directly conduct literacy programs, or may sub-contract provision of the required services to conduct literacy programs. This support shall enable financial institutions to concentrate on the core business of financial services, while at the same time providing key support for literacy, which will enable clients and potential clients to better access financing and utilize such financing effectively.

6. POSSESSION OF FUND:

SBP shall possess, manage and control the Fund, its undertakings, properties and assets.

7. IAFSF COMMITTEE:

The Fund shall be administered and managed by governing body, the IAFSF Committee, consisting of five voting members and one observer. The IAFSF Committee shall be comprised of

- (i) An SBP representative nominated by the SBP Governor and acting as Chairperson;
- (ii) CEO of the Pakistan Poverty Alleviation Fund (PPAF);
- (iii) CEO of the Pakistan Microfinance Network;
- (iv) Pakistan Banking Association (PBA) Nominee;
- (v) A representative from the education sector to be nominated by the other four voting members; and

- (vi) An ADB observer with non-voting status.

In case during the 20-year life of the Fund, any entity or association in items (ii) through (iv) ceases to exist or has its mandate substantially changed, SBP and ADB shall consult and agree upon an alternative institution or association ~~and~~, the head of which shall ~~be~~ become a member of the IAFSF Committee. When mentioned in these Rules, the term “member” shall refer to a member of the IAFSF Committee.

8. FUNCTIONS OF IAFSF COMMITTEE:

- (i) The IAFSF Committee’s responsibilities shall include, among other responsibilities, determination of the selection criteria for the training and capacity building activities and literacy programs financed by the Fund and selection of the training, activities and programs to receive financing from the Fund.
- (ii) The IAFSF Committee shall ensure that a minimum of 10 percent of the income generated from the Fund is set aside for financing literacy programs each year. In the event that actual financing for literacy programs in a given year is less than such 10 percent, the unused amount can finance training and capacity building programs as well as literacy programs during the subsequent year.
- (iii) The IAFSF Committee shall ensure through the Fund Secretariat that the listing of recipients of funds, the amount received by each recipient, and detailed information on the capacity building and training activities that are financed by the Fund are published on a quarterly basis on the SBP public website.
- (iv) The Fund’s annual work plan shall also be published by the IAFSF Committee on the SBP public website and updated quarterly for any changes.
- (v) The Fund account shall be audited annually by the IAFSF Committee in accordance with internationally acceptable accounting norms and practices.

9. FUND SECRETARIAT:

The secretariat of the Fund shall be located at the Principal Office of SBP and shall include a chief administrator and one full-time administrative staff to ensure proper support.

- (i) The investment strategy for the Fund
- (ii) Accounting and auditing procedures.
- (iii) Investment of initial capital of the Fund and unutilized income generated from the Fund in approved Government securities.
- (iv) Finalization of systems & procedures regarding provisions on Fund management, accounting and auditing procedures, and investment policy.
- (v) In order to promote transparency and greater accountability, the Fund shall have a dedicated space on the SBP public website. The Fund Secretariat shall prepare and arrange for uploading of information for public disclosure on SBP’s public website and provide necessary application criteria for accessing grants from the Fund for literacy and capacity building programs, necessary application forms, instructions and contact information through the concerned

department of SBP. The Fund Secretariat shall also upload updated lists of recipients of funds, the amount received by each recipient, and detailed information on the capacity building and training activities that are financed by the Fund on a quarterly basis on the SBP public website.

10. MEETINGS OF IAFSF COMMITTEE:

The following shall apply:

- (i) The meetings of IAFSF Committee shall be held on a quarterly basis to review applications and select projects to be financed by the Fund. The meetings shall be held in Karachi or Islamabad as the Chairperson may determine.
- (ii) Ordinary meetings of IAFSF Committee shall be convened by a written notice of at least fourteen days to the Members by the Chairperson. The Chairperson may, at his/her discretion, and shall at the written request of not less than three Members and within seven days of receipt of such request, convene a special meeting of IAFSF Committee to transact any extraordinary business on a date specified in the request. A written notice shall be addressed and sent to the Members at least three days prior to the date of the meeting.
- (iii) The Chairperson shall preside at each meeting of IAFSF Committee. The quorum necessary for transacting business at a meeting of IAFSF Committee shall be 3 members, including the Chairperson, present at any meeting of IAFSF Committee.
- (iv) The meeting of IAFSF Committee shall be presided over by the Chairperson and, in his/her absence by a Member authorized by him/her in this behalf, and in default of such authorization by a person elected for the purpose by the Members present from amongst themselves.
- (v) The minutes of every meeting of IAFSF Committee shall be recorded in a register by the Fund Secretariat and confirmed at the next succeeding ordinary meeting.
- (vi) The decisions of IAFSF Committee shall be by majority of those attending, subject to compliance of subsection iii above.
- (vii) In case of a draw, the decision of the Chairperson shall be deemed as final.
- (viii) No act or proceeding of IAFSF Committee shall be invalid merely on the ground of the existence of any vacancy in, or any defect in the constitution of, IAFSF Committee.
- (ix) In case of any vacancy on the IAFSF Committee, the position shall be caused to be filled within one quarter or the next meeting, whichever is earlier, subject to the condition that the successor of the leaving member has taken charge of his position in the concerned institution.

11. TRAVEL AND PER DIEM:

The Members shall be entitled to reimbursement of expenditure incurred by them for travel and per diem costs at rates approved by the Chairperson of IAFSF

Committee provided they do not receive Travelling Allowance (TA)/ Daily Allowance (DA) from their respective organisations. No other expenses or remuneration shall be payable to Members.

12. APPROVAL / AMENDMENT OF RULES:

The IAFSF Committee may review these Rules and prescribe any change that will facilitate effective and productive utilization of the Fund resources; however, such changes / revision shall be sent to ADB for concurrence and to SBP Central Board for ratification.

13. FINANCIAL YEAR

The financial year of the Fund shall commence from 1st July each year, and end on the last day of June the following year.

14. BOOKS OF ACCOUNT:

- (i) The Finance Department of SBP shall maintain books of accounts with respect to the Fund and ensure their audit. It shall also prepare accounting and auditing policies/ procedures.
- (ii) The books of account shall be kept at Finance Department of SBP or at such other place as the IAFSF Committee deems appropriate, and shall also be open for inspection by the members.

15. AUDITING:

- (i) Audit shall be conducted alongwith SBP annual audit after close of the financial year. The accounts of the Fund shall be balanced and audited, and the income and expenditure statement and the balance sheet shall be certified by an auditor from SBP's panel of approved auditors under section 35(1) of Banking Companies Ordinance, 1962.
- (ii) The audited income and expenditure statements, balance sheets and reports prepared in accordance with the relevant laws, rules or by-laws governing SBP audit, alongside any other document required by law or rule to be annexed or attached thereto, shall be placed before the IAFSF Committee not later than 15 days after completion of audit..
- (iii) The IAFSF Committee shall consider the audited accounts of the Fund within thirty (30) days of their receipt under subsection (2) above, and to apprise them if they are in order. Following consideration of the audited accounts, the IAFSF Committee shall promptly submit a copy of such accounts to ADB.

16. EFFECTIVE DATE OF RULES:

Once issued after approval from the SBP Board of Directors, the Fund rules shall be effective as communicated in the circular.