

STATE BANK OF PAKISTAN

BRANCH LICENSING POLICY

The Branch Licensing Policy applicable with effect from 1st April, 2001 to all scheduled banks including branches of foreign banks operating within the territory of Pakistan has been updated. The term bank wherever used hereunder shall mean and include banks incorporated in Pakistan as well as all branches of foreign banks operating in Pakistan under Section 27 of Banking Companies Ordinance, 1962.

2. Each bank shall submit to State Bank of Pakistan for approval an Annual Branch Expansion Plan (ABEP)) at least 30 days before the commencement of each calendar year (January-December) during which it plans to open branches. The plan would, inter alia, indicate the number of the new branches proposed to be opened in urban and rural areas, location of each of the proposed branch and the area which it would serve, branches proposed to be closed (if any), the number of existing branches incurring losses consecutively for the last three years, arrangements for managerial and other staff members and information technology access and linkage for the proposed branches and arrangements for housing each of the proposed branch. State Bank will consider the Plan for new branches keeping in view the need of the system and grant approval in principle for number of new branch(es) that bank will be allowed to open during the given calendar year within 30 days from the date of receipt of ABEP complete in all respect. In case any ABEP of a bank is not approved the SBP will invariably intimate the same in writing to the bank within 30 days from the date of submission of duly completed ABEP to SBP. However, licence for individual branch opening shall be issued on receipt of formal application on prescribed format under the provisions of Section 28 of the Banking Companies Ordinance, 1962 (Annexure 'A'). The licence will be issued for opening of new place of business when evidence is provided that adequate security arrangements have been provided at the proposed place of business and the Town Planning Regulations are not violated*. Request for a new branch in Azad Jammu and Kashmir will have to be supported by the AJ&K Government. The approval in principle granted under a particular ABEP shall lapse in case bank fails to submit a formal

*Evidence regarding provision of adequate security arrangements and observance of town planning regulations will not be pre-condition for approval of ABEP and will only be required at the time of seeking formal licence from SBP.

application for issuance of licence at least 30 days before the expiry of that particular year. Similarly licence issued under respective ABEP shall expire where a bank fails to open the branch before 31st December of that year. The licence may be revoked in case it subsequently transpires that the bank had made material mis-representation of facts or concealment of material information and the responsible official(s) shall personally be liable for action under Section 83 of the Banking Companies Ordinance, 1962.

3. Every banking company shall, within seven days after the close of each reporting quarter, submit to the State Bank of Pakistan a quarterly statement regarding installation of Automated Teller Machines (ATMs), within and outside the premises during the said quarter for information and record.

4. CAMELS rating of 1, 2 and 3 in the last ON-SITE inspection of the bank shall be the eligibility criteria for approval or otherwise of the ABEP. In addition, the eligibility of a bank to open a new place of business shall be considered by the State Bank keeping in view, among others, the financial strength of the bank as evident from its net worth (net equity free of actual and potential losses), adequacy of its capital structure, record of earning capabilities, future earning prospects of the bank, managerial capabilities, bank's liquidity position, track record of the bank's adherence to prudential regulations, credit disciplines, quality of customer's services, staff management relationship and the convenience and the needs of the population of the area to be served by the proposed branch. Moreover, the following considerations will also be taken in the grant of licence:-

- i) The opening of branches in rural and under banked areas will be given preference.
- ii) Preference will also be given to those branches which will be connected electronically, provide utility bill receipt services and expedite delivery of home remittances.
- iii) In case of foreign banks, in addition to above, the performance of their existing branches, level of commitment to the local market, sound international reputation, provision of full range of banking services, new investment by their H.O. etc., will be guiding factors for issuing fresh licences.

5. Banks will be free to close any of their existing branches operating at banked places, without obtaining prior approval of State Bank of Pakistan. Banks will also be free to close any of their existing branches in un-banked area provided the area is not left without an alternate arrangement for provision of banking services to the local community. It is hereby clarified that while closing branches at unbanked places, Post Offices/UBL Post Office Counters or other similar counters operating within a radius of

5 K.M. may not be treated at par with the branches, as these are not a substitute for the branch. A place/area will be deemed to be un-banked place if no branch of any other bank is operating within a radius of 5 K.M. The closure of the branch should be intimated to the State Bank of Pakistan on the prescribed amended Proforma (Annexure 'D') within twenty one (21) days of the closure of the branch, simultaneously surrendering the licence of the branch to the State Bank. NCBs/DNCBs (HBL, NBP, UBL, MCB & ABL) will be allowed to consolidate their existing branch network outside the framework of branch licensing policy. Accordingly, these banks will be allowed to voluntarily close down any branch (es) at banked or unbanked place under their branch rationalization plan during 2001 (i.e. upto 31-12-2001). While these banks will not be allowed to open additional branches during the calendar year i.e upto 31-12-2002, they will be allowed to relocate any of their existing branch on country wide basis. In this regard the banks will be required to submit their application on the prescribed format (Annexure 'E'). However, NCBs/DNCBs may open additional branches in the year 2004. For this purpose, they will have to submit to SBP their ABEP for approval by November 30, 2003 (i.e. one month before the close of year 2003).

6. Banks will be free to shift or reallocate their branches within the same city/town/village* without prior approval of State Bank. National Bank of Pakistan will, however, be required to obtain prior clearance from Accounts Department, State Bank of Pakistan, before shifting of their branches conducting treasury work. Intimation of shifting of a branch will be sent by the bank concerned to the State Bank within 15 days from the date of its shifting on prescribed amended Proforma (Annexure 'C').

7. Request from National Bank of Pakistan for opening of a chest branch at a new place of business must be supported by a clearance from the Accounts Department of State Bank of Pakistan. All applications for opening/shifting of the chest branches will be considered duly supported by a clearance certificate from Accounts Department of State Bank of Pakistan.

*Certificate to be enclosed from the competent authority that both the existing and proposed premises are:

- a. within the same locality (in case of branches at banked places including big cities;
- b. within the same territorial limits of the same village (in case of branches at unbanked places).

8. Licence will be freely granted to Banks for opening of permanent as well as temporary booth(s) on account of the activities specified hereunder:

a). Permanent Booths:

- i) Receiving utility bills, Government dues/revenue/cash, collection of fee/dues of educational institutions, receiving cash from patients of hospitals, visa fee or other related cash receipt functions on the recommendations of the concerned Government Departments/Institutions and for providing limited banking facilities (i.e. cash payment and receipt of cash and cheques/demand draft/pay order only) in the premises of Embassies, Consulates, Foreign Missions and International Financial Institutions in Pakistan, on their specific request.
- ii) For exchange of foreign currency subject to normal exchange control regulations at the port of entry in Pakistan.
- iii) National Bank of Pakistan will be allowed to open booths for receiving railway cash and other Government dues on the recommendations of the Department concerned.

b). Temporary Booths:

- i) For the purpose of affording banking facilities to the public on the occasion of an exhibition, a conference or a mela or any other like occasion, for a period not exceeding one month, a temporary place of business in such locality where that bank has already a place of business.
- ii) For making on the spot payment to growers of agricultural commodities during the crop season as also to the persons in the calamity hit areas.
- iii) For providing limited banking facilities to the participants of international conference and members of National/Provincial Assemblies and Senate when in session.
- iv) For providing banking facilities to the Hajj Pilgrims, i.e. sale/purchase of Hajj Notes relating to foreign currency, travellers' cheques to the intending/returning Hajjis during Hajj season.

The above temporary booths will be opened subject to the following conditions:

- a. No business other than specified above will be undertaken at the place of business.
- b. The date of opening/closing of these booths should be intimated to the State Bank within seven days from the date of opening/closing of such booths on the prescribed Proforma (Annexure -B).
- c. Branches of your bank are not functioning at any of the proposed places/centers.

10. Banks will be free to close any of their existing booths operating at banked places, except for Utility Bills Collection Booths, without obtaining prior approval of State Bank. However, for closure of Utility Bills Collection Booths, banks will be required to obtain prior approval of SBP. Such requests will be considered /decided on merit. In all cases of closure of booths, intimation should reach SBP within 21 days, on the prescribed format along-with original licence, of the closed booth for its cancellation.

11. Similarly, banks can shift their permanent booths (other than Utility Bills Collection Booths) within the same city/town/village without prior approval of SBP. However, for shifting Utility Bills Collection Booths, banks will be required to obtain prior approval of SBP, provided such shifting may not attract public complaints. Furthermore, no bank can shift their Utility Bills Collection Booth in the branch premises without prior approval of SBP. However, licence of such booth shall stand cancelled if SBP allows such shifting. In such a case the bank will open a separate counter in the said branch for collection of utility bills. In all cases of shifting of booths, intimation should be given to SBP within 15 days from the date of shifting.

12. Every licensed branch of a scheduled bank shall carry a name and invariably be required to prominently display outside the branch.

13. A processing fee @ Rs.25,000/- per branch applied in Annual Branch Expansion Plan (ABEP) has been fixed with effect from Annual Branch Expansion Plan (ABEP) for 2003. The banks while submitting their ABEP shall invariably enclose a cheque in the name of State Bank of Pakistan as processing fee. The ABEP without the amount of processing fee shall not be entertained. The processing fee will be non-refundable.

14. Banks shall render themselves liable to pay fine as provided in BPRD Circular No.21 dated the 9th June, 1999 for non-compliance/violation of any of the provisions of the Branch Licensing Policy in addition to the penalty mentioned in paragraph (2) above.

-x- -x- -x- -x- -x- -x- -x- -x- -x-

APPLICATION FORM
THE BANKING COMPANIES ORDINANCE, 1962
(Form VII (See rule II))
(Section 28)

Form of application for permission to open a new place of business or change the location (otherwise than within the same city, town or village) of an existing place of business under Section 28 of the Ordinance.

Address:.....
.....

Dated:.....

The Director,
Banking Policy Department,
State Bank of Pakistan,
Central Directorate,
Karachi.

Dear Sir,

We hereby apply for permission to open a new place of business/change the location of an existing place of business in terms of Section 28 of the Banking Companies Ordinance, 1962. We give below the necessary information for the purpose.

Yours faithfully,

Signature:.....

1. Name of the banking company.
2. Place of location of the registered office of the banking company and of its head office
3. Whether the banking company is public or private?
4. Date of incorporation.
5. Date of commencement of business
6. Previous applications. <i>(Give particulars of any application previously made to the State Bank in this connection)</i>
7. Management: (a) Give names, business and addresses of Directors. (b) Give the name of the Officer-In-Charge of the proposed office, his qualifications, experience, age and remuneration and also particulars about the local Advisory Board (or local directors), if any.

<p>8. Existing Offices: (a) Give the number of offices in Pakistan. In the case of offices making losses, also give details as in Table 'A'. (b) In the case of offices which have been in existence for less than three years on the date of application, also give details as in Table "B".</p>
<p>9. Proposed Office: (a) Give the location of the proposed office. (b) Reasons for the proposed office. State detailed reasons for the proposed office and give statistical and other data, as under, which may have been collected for the proposed office: (i) The population of the area of operation of the proposed office. (ii) The volume and value of agricultural, mineral and industrial production and imports and exports of the area of operation of the proposed office as under:-</p>

COMMODITY	PRODUCTION		IMPORTS		EXPORTS	
	VOLUME	VALUE	VOLUME	VALUE	VOLUME	VALUE
1.	2.	3.	4.	5.	6.	7.

<p>(iii) If there are any schemes for agricultural, mineral or industrial development give details of the same and their probable effects on the volume and value of the present production, imports and exports. (iv) If the existing banking facilities are considered inadequate, give reasons. (v) Prospects: Give as under an estimate of the minimum business, which the banking company expects to attract at the proposed office within 12 months.</p>
--

1.	Deposits	Amount in thousands of rupees	Rates proposed to be allowed on various types of deposits.	
			Minimum	Maximum

2.	Advances	Amount in thousands of rupees	Rates proposed to be charged on various types of advances.	
			Minimum	Maximum

10.	Change of location of an existing office: Give the exact location of the office, which is proposed to be closed, and of the place to which it is proposed to shift it, giving particulars of the new location in item No. 9(b).
11.	System of supervision and control over the proposed Office: Give a brief description of the system of supervision and control which will be exercised over the proposed office and the authority of the officials at the proposed office regarding advances(including bills purchased and discounted).
12.	Capital and Reserves: Give details regarding the authorized, subscribed and paid-up capital and reserves of the banking company as on the date of the application.
13.	Expenditure: State the amount already spent or proposed to be spent on staff, premises, furniture, stationery, advertising etc. in connection with the proposed office. Also state the minimum income which the banking company expects to earn at the proposed office in 12 months.
14.	Forward an up-to-date copy of the Memorandum and Articles of Association and copies of balance sheets together with profit and loss account statements for the last five years (with certified translations in English if not in that language).
15.	Other particulars: Any additional facts which the banking company may wish to adduce in support of its application.
N.B.	
1	The words 'office' and Offices" wherever they occur in this form include a place or places of business at which deposits are received, cheques cashed or money lent.
2	No. 9(a) and (b) to be replied to if the application is for opening a new office. If an application is for opening a place of business at Karachi, Lahore the details asked for under item 9 (b) (I), (ii) and (iii) need not be supplied.
3	No. 10 to be replied to if the application is for changing the location of an existing place of business.
4	If a banking company is unable or unwilling to supply full details in respect of any of the items reasons for the omission may be given.
5	If an application has been submitted to the State Bank in past, information under items 2,3,4,5,7,8,11,12&14 need not be supplied unless there is any change since the last application.
6	The information asked for in items 7(b), 9, 10 & 13 is to be given separately for each office where the application relates to the opening of or changing the location of more than one office.

TABLE 'A'
(Attachment to Annexure-A)

Name of the Banking
Company: _____

Number of existing offices making
losses: _____

Name of Place	Description i.e., whether branch/booth, pay-office, sub-office, etc.	Date of Opening	Amount of loss during the preceding year	<u>Deposits</u>	<u>Advances</u>	<u>Remarks</u>
				As on the date of the last balance-sheet		
1	2	3	4	5	6	7

TABLE 'B'
(Attachment to Annexure-A)

Particulars regarding offices which have been in existence for less than three years on the date of application

As on the date of the last balance sheet

(Rounded off to the nearest thousand)

<u>Name of Place</u>	<u>Description i.e. whether branch, sub-office, pay-office, sub-pay office, etc.</u>	<u>Date of Opening</u>	<u>Deposits</u>			
			<u>Current</u>	<u>Savings</u>	<u>Others</u>	<u>Total</u>
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>

<u>Advances</u>				<u>Remarks</u>
<u>Secured</u>	<u>Unsecured</u>	<u>Doubtful or bad</u>	<u>Total</u>	
<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>

SURVEY REPORT

(Name of the Bank)

Category of Place
Banked/Un-banked

P A R T - I

1. Name of the Bank
2. Total number of branches/booths
(Indicate separately)
3. Paid-up Capital
4. Adjusted Capital (as per last SBP Inspection Report)
5. Total Deposits
6. Capital Adequacy Ratio
(Capital as % of deposits)
7. Weekly position of Liquidity Ratio and Credit Deposit Ratio during the preceding 12 months.

WEEK ENDED	LIQUIDITY RATIO	CREDIT DEPOSIT RATIO
------------	-----------------	----------------------

P A R T - II

1. Name of the proposed branch/booth
2. Exact location of the proposed branch/booth (also mention any other name by which the place is popularly known, if any) with postal address.
3. Is suitable premises available?
If not what arrangements are proposed to be made.
4.
 - i) **Tehsil/Taluka H.Q**
 - ii) Sub-Division H.Q.
 - iii) District H.Q.
 - iv) Divisional H.Q
5. Means of communication (specify the Railway line and Road, by which it is linked).
6. Does the place fall within the area of Municipal/Town Committee or Cantonment Board (Give name).
7. Whether Post Office/Telegraph office exists at the proposed Place, if not the name of the nearest Post Office and Telegraph Office with distance from the proposed branch./booth.

8. Names and location of nearest Bank branches/booths with approximate distance in meters/kilo meters from the proposed place.

	NAME OF THE BRANCH/BOOTH	DISTANCE
I.	Applicant Bank's branch/booth	
II.	Other Bank's Branches/booths	
	i)	
	ii)	
	iii)	
	iv)	
	v)	
	vi)	

9. If the place is covered by the Mobile Banking Unit of any bank, give particulars.

10. The population of the area of

(a) Operation of the proposed branch/booth

(b) Approximate population of the proposed place/actual population of the proposed place.

11. The volume and value of Agricultural/mineral and industrial production and imports and exports of the area of operation of the proposed branch are as under :-

COMMODITY PRODUCTION			IMPORTS		EXPORTS	
Commodity	Volume	Value	Volume	Value	Volume	Value

12. If there are any schemes for Agricultural, Mineral or Industrial Development, give their details and probable effects on the volume and value of present production, imports and exports.

13. If the existing banking facilities are considered inadequate, give reasons.

14. A) Business Potentialities

- i) Industrial area (brief description of factories/mills and/or special projects).
- ii) Commercial area (No. of shops and/or other business activities including important items of exports and imports).
- iii) Agricultural area (brief description of agricultural production).

B) Prospects: Year-wise estimate of business, which the proposed branch/booth expects to attract/undertake within 3 years of its operation.

1 st Year	2 nd Year	3 rd Year
----------------------	----------------------	----------------------

- i) Amount of Deposits
- ii) Amount of Advances
- iii) Volume of inland remittance
- iv) Volume of Foreign remittance
- v) Volume of Bills business
- vi) Volume of Imports
- vii) Volume of Exports
- viii) Future prospects of Development

C) Estimated period within which the proposed branch/booth is expected to become a profitable unit.

15. Income (source-wise) which the branch/booth expects to earn within 3 years of its operation.

1 st Year	2 nd Year	3 rd Year
----------------------	----------------------	----------------------

Source

- a) Interest/Return on Advances
- b) Interest on/Return on funds placed with Head Office.
- c) Commission etc.

Total:

16. Estimated recurring expenditure for the proposed branch/booth.

- a) Interest/Return on various type of deposits.
- b) Staff
- c) Premises
- d) Furniture & Fixture
- e) Stationery
- f) Advertisement
- g) Other expenses.

Total:

17. Profit/loss anticipated.

Signature of the Survey Officer

1. Name:_____

2. Designation:_____

3. Date of survey:_____

18. a) Certificate

Certified that the names of the proposed branch/booth is in accordance with the Census/Municipal/Town Committee and/or Revenue Records.

Signature of the Survey Officer

b) Certificate

Certified that the location of the proposed branch/booth shall in no way violate the Town Planning Regulations of the respective authorities.

Signature of the Survey Officer

c) Certificate

FOR UNBANKED AREA BRANCHES/BOOTHS ONLY

Certified that no bank branch/booth is operating within the Revenue limits of the proposed place.

Signature of the Survey Officer

Signature of the Officer recommending Opening of the Branch.

1. Name: _____

2. Designation: _____

3. Date: _____

ANNEXURE "B"

**PARTICULARS OF TEMPORARY PLACE OF BUSINESS OPENED UNDER
AUTHORITY OF PARA 8(b) OF THE BRANCH LICENSING POLICY**

1.Exact location:_____

2.Occasion for which opened:_____

3.Period of operation:

i) Opened on:_____

ii) Closed on:_____

4.A copy of the request of the concerned authority on the basis of which the temporary place of business was opened is enclosed.

Encl: As above.

(Signature of an Officer not
below the rank of Senior Vice
President of the Head Office
Or equivalent)

Dated:_____

ANNEXURE 'C'

PARTICULARS OF THE BRANCH/BOOTH SHIFTED

1. Name of the Bank _____
2. Name of the Branch/Booth shifted _____
3. Licence No. _____ Dated _____
4. Premises from which shifted _____
5. Exact location of the premises to which shifted _____
6. Distance between the old and new branch/booth premises _____
7. Date of shifting _____
8. Reasons necessitating the shifting (in detail) _____

9. Working results of the branch/booth at the old place, i.e. deposits advances and profit & loss accounts for the last three financial years
10. No of Accounts (category-wise) as at the end of last financial year and on the date of shifting.
11. Distance (in meters/kilo meters) of the old premises with nearest branches of other banks.

S.No	Name of Bank	Name of Branch	Distance

12. Distance (in meters/kilo meters) of the new premises from the nearest branches of other banks.

S.No	Name of Bank	Name of Branch	Distance

12. Certified that location of new premises does not violate the Town Planning Regulations of the concerned authority.
13. Certificate from the **competent authorities** that both the existing and proposed premises are: (a) within the same locality (in case of branches at banked places including big cities); (b) within the same territorial limits of the same village (in case of branches at un-banked places).

(Counter Signature of an Officer not below the rank of Sr.Vice President of the Head Office or equivalent with date)

(Signature of Officer Incharge of the Branch with date)

ANNEXURE 'D'

PARTICULARS OF THE BRANCH/BOOTH CLOSED

1. Name of the Bank _____
2. Name of the Branch/Booth closed _____
3. Exact location of the Branch/Booth closed _____
4. Status (Banked/Un-banked) _____
5. Licence No. _____ Dated _____
6. Date of Closure _____
7. Reasons necessitating closure (in detail) _____
8. Working results viz. Deposits, Advances Profit/Loss and Number of Accounts (category-wise) as at end of the last financial year and on the date of closure _____
9. Name and distance of nearest branch of any bank from the closed branch.

S.No	Name of Bank	Name of Branch	Distance in meters
10. Certified that the closure of above branch/booth will not render the area as an unbanked under the branch licensing policy in force.
11. Licence No. _____ Dated _____ is sent herewith for cancellation.

Encl: (as above)

(Signature of an Officer not
below the rank of Senior Vice
President of the Head Office
Or equivalent)

ANNEXURE 'E'

APPLICATION FOR SHIFTING OF BRANCH/BOOTH

1. Name of the Bank _____
2. Name of the Branch/Booth proposed to be shifted _____
2. Exact location of the Branch/Booth at the existing place _____
3. Licence No. _____ Dated _____
4. Opening date of the Branch/Booth _____
5. Where the Branch/Booth is proposed to be shifted _____
(Give exact address)
6. Whether the proposed premises is a built up one or is required to be constructed _____
7. Whether the plot/building is owned by the bank _____
8. Covered area of the existing and the proposes premises _____
(in case of inadequate space)
- 9.

		<u>For each of the last three</u> <u>years</u>		
i	Total deposits of the branch/booth (year end)			
ii	Total advances of the branch/booth(year end)			
iii	Net profit/loss			

10. Distance of the proposed premises from the existing premises _____
11. Name, location and distance of the nearest branches of other banks and the bank's own nearest branch from the existing premises

	Name of Bank	Name of Branch with location	Distance in Meters/K.M.

12. Name, location and distance of nearest branches of other banks and the bank's own nearest branch from the proposed premises

	Name of Bank	Name of Branch with location	Distance in Meters/K.M.

13. Reasons necessitating the shifting (in detail) _____
14. Certificate to be enclosed from the **competent authorities** that both the premises are within the same locality (in case of branches at banked places including big cities); are within the same territorial limits of the same village (in case of branches at un-banked places).
15. Certified that location of the proposed branch/booth will not violate the Town Planning Regulations of the respective authority.
16. Certified that account holders will not be inconvenienced by the proposed shifting
(In case of booth, such shifting will not attract public complaint)

Dated: _____

(_____
Name & Signature of Branch Manager
Proposed to be shifted
(with official stamp)

Recommended.

(_____
Name & Signature of Zonal Head
(with official stamp)

Dated: _____