



STATE BANK OF PAKISTAN
BANKING POLICY DEPARTMENT
I.I. CHUNDRIGAR ROAD
KARACHI

BPD Circular. No.11

April 5, 2003

The CEOs/Presidents
All Banks/DFIs

Dear Sirs,

Assessing the Fitness and Propriety of Key Executives

As you are aware, the State Bank of Pakistan, for promoting good corporate governance in the financial sector, has already issued "Fit & Proper Test"(FPT) for the directors and chief executive officers of banks/DFIs. To further enlarge the scope of good governance it has now been decided that banks/DFIs shall follow the guidelines contained in the "Fit and Proper Test" at Annexure I for appointment of key executives particularly those having the following functional responsibilities:

- a) Chief Financial Officer/Head of Finance/Head of Accounts
- b) Head of Internal Audit
- c) Country Treasurer
- d) Head of Credit/ Risk Management
- e) Head of Operations
- f) Head of Compliance
- g) Head of Human Resource

2. It may please be noted that no prior approval is required from State Bank for aforementioned appointments and each bank/DFI shall itself be responsible to ensure that FPT guidelines have been followed in letter and spirit. The banks/DFIs shall report only brief information of such appointments, as and when made, as per format given at Annexure II to the Director Banking Policy Department for information and record within 7 days from the date of joining of these executives.

3. In case it is found at subsequent stage/during the course of inspection that guidelines of FPT have not been followed or the incumbent is not a fit and proper person, strict punitive action will be taken under the relevant provisions of Banking Companies Ordinance, in addition to directing the banks/DFIs to dispense with the services of concerned officer if recruited afresh; and in case of existing employee, the same to be transferred from the post immediately.

4. The banks/DFIs not meeting the Fit and Proper Test in respect of their existing key executives may regularize the position within 180 days from the date of issuance of this circular. A compliance report may please be furnished in this regard by October 15, 2003 positively. In the meantime, the particulars of incumbents in the above mentioned positions may please be furnished on the enclosed Annexure II within 30 days from the date of issue of this circular.

5. Please acknowledge receipt.

Yours faithfully,

Encl: As above

(Muhammad Kamran Shehzad)
DIRECTOR

FIT AND PROPER TEST FOR APPOINTMENT OF KEY EXECUTIVES

1. Honesty, Integrity and Reputation

- (i) He/She has not been convicted of any criminal offence, particularly offences of dishonesty, fraud, financial crime or other offences under legislation relating to banking and financial services;
- (ii) He/She has not been subject of any adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial/business, misconduct, fraud, formation or management of a body corporate etc.
- (iii) He/She has not contravened any of the requirements and standards of regulatory system or the equivalent standards of requirements of other regulatory authorities, which would adversely reflect on the above areas.

2. Competence and Capability

He/She must have adequate professional qualification and experience commensurate to the job as determined by the bank.

3. Track Record

- (i) He/She has not been removed/dismissed in the capacity of an employee, director/ chairman on account of financial frauds, moral turpitude, misconduct and misappropriation of funds.
- (ii) No material adverse reports, from past employers of the person being considered for the key executive post.

4. Financial Soundness

He/She has not been in default of payment of dues owed to any financial institution and/or has not been declared as defaulter in payment of any taxes in individual capacity or as proprietary concern.

5. Conflict of Interest

- (i) He/She does not head more than one functional areas that give rise to conflict of interest within the organization. For example the departments of Audit and Accounts cannot be headed by the same person.
 - (ii) He/She does not hold directorship in his/her personal capacity in a business concern that is also a client of the bank/DFI as well as in any other financial institution. The term financial institution will include any bank, investment finance company, non-banking finance company, venture capital company, housing finance company, leasing company or modaraba company.
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STATE BANK OF PAKISTAN
(BANKING POLICY DEPARTMENT)

QUESTIONNAIRE – FITNESS AND PROPRIETY OF KEY EXECUTIVE

1. Position held by the Executive_____
2. Full Name:_____
3. Date and Place of Birth:_____
4. NTN:_____
5. Educational Qualification_____
6. Professional Qualification:_____Experience:_____Years
7. Time spent in current position.:_____
8. Previous position/job held_____
9. Has he/she ever been convicted of any offence? Yes ☐ No ☐
If yes, nature of offence and penalty imposed:_____
10. Has he/she ever been censured or penalized by any financial regulator (local or foreign)?
Yes ☐ No ☐
If yes, reasons for adverse findings and amount of penalty imposed (if any)_____
11. Has he/she ever been dismissed from employment? Yes ☐ No ☐
If yes, name of the employer and reason for dismissal_____

PHOTO

Signature & Stamp of Employer