

**MINIMUM GUIDELINES FOR CONDUCTING DUE DILIGENCE OF
BANKS/DFIs FOR THE PURPOSE OF MERGER/AMALGAMATION**

As the financial sector in Pakistan consolidates and strengthens, the following minimum guidelines are being issued to structure and discipline the process of conducting due diligence of banks for the purpose of merger/amalgamation or local incorporation of financial institutions/banks.

- i) The parties/financial institution(s), one of which is a bank, interested in amalgamation/merger or local incorporation, shall request SBP's prior clearance/approval to commence the due diligence by submitting its credentials (business background, resources including net worth etc.) and its proposed team (lawyers, advisors, chartered accounting firm etc) for conducting due diligence.**
- ii) After getting SBP's clearance, the intending group of sponsors/financial institution, shall submit an "Undertaking" (as per specimen attached) to SBP confirming that all information, particularly all non public information, and documents etc shall be kept strictly confidential and shall not be divulged to any person/organization not included in the due diligence team as advised to SBP. The due diligence can then start. In case of any breach of the "Undertaking", the clearance/approval given by the State Bank of Pakistan shall be withdrawn with immediate effect.**
- iii) The due diligence team shall also be bound under the aforesaid "Undertaking" to keep the information, documents etc. confidential and shall not divulge any information that they come across during the course of the due diligence. The party conducting the due diligence shall not demand, from the other party, any information given by SBP or the SBP inspection report, either in part or full.**
- iv) On completion of the due diligence, the party conducting the due diligence shall inform in writing to the State Bank that the process of due diligence has been completed.**

XXX

ATTACHMENT TO BPD CIRCULAR NO. 8

UNDERTAKING

THIS UNDERTAKING is executed on this _____ day of _____, 2003 at _____

We M/s _____, are a (banking) company incorporated under the laws of Pakistan having its registered office at _____ (hereinafter referred to as _____).

WHEREAS we proposed to commence the process of due diligence of _____, in pursuance of a merger/amalgamation scheme under the relevant provisions of the Banking Companies Ordinance, 1962, for which ‘in principle’ clearance / approval of State Bank Of Pakistan has already been obtained through a letter dated _____.

NOW THEREFORE IT IS HEREBY UNDERTAKEN:

- 1. That we shall keep the entire information/documents with respect to due diligence in pursuance of the said amalgamation/merger transaction, strictly confidential and shall not disclose to any one not included in the due diligence team as advised to SBP.**
- 2. That the State Bank Inspection Report, in part or full, and any other information given specifically to us by the State Bank shall neither be demanded by nor disclosed to the firm/person/entity conducting the due diligence.**
- 4. That this undertaking shall also be binding upon all persons, organizations or firms acting as our agents included in the due diligence team (lawyers, advisors and the Chartered Accountant Firms). The said persons/entities/agents shall also not disclose to any one any information/document that comes to their knowledge in the course of due diligence.**
- 5. That in case any information/document, in part or full, is disclosed/divulged in violation of this undertaking, the State Bank Of Pakistan shall have a right to take any action which shall not be limited to withdrawal of its approval for due diligence without recourse to any other formality. The State Bank Of Pakistan shall also have a right to initiate any legal proceedings under the relevant provisions of applicable law against the persons/entities/organizations responsible for any breach of this undertaking.**
- 6. That no claim shall be lodged with the State Bank of Pakistan for the amount/expenses incurred by us in respect of the amalgamation/merger scheme in case of withdrawal of approval due to afore-said reasons. We are entering into the process of due diligence at our own risk and cost.**

IN WITNESS WHEREOF we have executed this document on the date and year first above mentioned.

For And on Behalf of

M/s _____
