

**BANKING POLICY DEPARTMENT
STATE BANK OF PAKISTAN**

FIT & PROPER TEST

1. Integrity, Honesty and Reputation

- i) Has not been convicted in any criminal offence, involved in any fraud/forgery, financial crime etc.
- ii) Has not been subject to any adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial/business misconduct, fraud, formation or management of a corporate body etc.
- iii) Has not contravened any of the requirements and standards of regulatory system or the equivalent standards of requirements of other regulatory authorities.
- iv) Has not been involved with a company or firm or other organization that has been refused registration/licence to carry out trade, business etc.
- v) Has not been involved with a company/firm whose registration/licence has been revoked or cancelled or gone into liquidation.
- vi) Has not been debarred for being Chief Executive, Chairman or Director of a company.

2. Experience & Management

This section shall apply separately for Directors and President/Chief Executive as under: -

i) For Directors on the Board of a Bank/DFI

- a) Must have management/business experience of at least 5 years at senior level in an active capacity. In case of lawyers, 7 years experience is required, provided that they are not practicing/involved with any bank or acting as legal counsel/adviser or on payroll of a bank.
- b) Must have knowledge of or be familiar with banking field.
- c) Minimum qualification is graduation. Higher education in the discipline of banking and finance may be an added qualification. However, this condition shall not be applicable on the existing Directors on the Board of the bank/DFI.

ii) For President/Chief Executive of Bank/DFI

- a. Must be a career banker with sufficient experience, expertise & skill set to successfully undertake responsibilities of the position.
- b. Minimum qualification is graduation. Higher professional education in the disciplines of banking, finance, economics and related fields may be an added qualification. This condition shall not, however, be applicable

to those who have/are already working as President/Chief Executive of the bank/DFI.

3. Track Record

- i) The person must have an impeccable track record in the companies he/she has served either in the capacity of an employee or Director/Chief executive or as chairman.
- ii) Has not been terminated or dismissed in the capacity of employee, Director/Chairman of a company.

4. Solvency & Financial Integrity

- i) Has not been associated with any illegal activity especially relating to banking business.
- ii) Has not been in default of payment of dues owed to any financial institution and/or default in payment of any taxes in an individual capacity or as proprietary concern or any partnership firm or in any private unlisted and listed company.
- iii) Has sufficient means to discharge his/her financial obligations.

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5. Conflict of Interest

- i) The Directors on the Board should avoid conflict of interest in their activities with, and commitments to, other organizations.
- ii) Is not a Director of 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.
- iii) A person can become Director/nominee Director of a Bank/DFI unless he falls within one or more categories mentioned below:-
 - a) Persons who are holding substantial interest (i.e. not less than 20% of the shares) or are working as Chairman, Director, Chief Executive, Chief Financial Officer, Chief Internal Auditor, Research Analyst or Trader (by whatever name/designation called) of a:-
 - i) Money changer (firm or sole proprietorship).
 - ii) Member of a Stock Exchange.
 - iii) Corporate Brokerage House.
 - iv) Any company/entity owned and controlled by the persons

mentioned at (i) to (iii) above.

- b) Persons who are acting as consultants, advisers of bank/DFI in which they intend to be Directors.

Notwithstanding anything stated above, anyone can become a Director of Bank/DFI if he has a minimum holding of 10% or above in the Bank/financial institution where he intends to become a Director/nominee Director.

- iv) The conflict of interest shall not apply in case of:-
 - a. Directors nominated by the Government.
 - b. Managing Directors and other nominated officials of National Investment Trust(NIT) and Investment Corporation of Pakistan (ICP) till the privatization of these two financial institutions.
 - c. Nominees of foreign and local investors, provided that they are appointed on the Boards of dissimilar financial institutions.

For the sake of clarity, the term “dissimilar” implies as an example, that one person appointed as Director on the Board of an investment bank may not again be appointed in any other investment bank.
