

PRUDENTIAL REGULATIONS FOR CONSUMER FINANCING

1. **Whether the term Consumer Credit Information Bureau mentioned in Prudential Regulations for Consumer Financing is separate from the existing CIB of State Bank of Pakistan?**

The term Consumer Credit Information Bureau mentioned in the regulations refers to CIBs established in the private sector, and is different from the CIB of the State Bank of Pakistan.

2. **Can a bank allow consumer facilities to a person whose default appears in the CIB report obtained from SBP or a private CIB?**

The Prudential Regulation does not place restriction on extending consumer loan to a person whose default appears in the CIB report. The regulations simply require that "Before allowing any facility, the banks / DFIs shall preferably obtain credit report from the Consumer Credit Information Bureau of which they are a member, and that such report will be given due weightage while making credit decision."

3. **Can the hypothecation on household goods make a Credit Card secured?**

No, Credit Card cannot be secured against the hypothecation of household goods. Credit Card in excess of the clean limit is required to be secured by tangible security as defined in the Prudential Regulations.

4. **Can the bank/DFI allow auto finance facility against the reconditioned/imported cars, and whether, the regulation on auto loans also cover Auto Lease Loans?**

The banks/DFIs may also allow auto finance against the security of imported/reconditioned vehicles. However, the banks/DFIs should ensure that the usage period of such cars from the date of manufacture should not be more than 5 years. In other words, the condition of minimum period of 5 years should start from the date of manufacture and not from the date of registration or recondition, in cases of both locally manufactured and imported/reconditioned vehicles. Further, all Consumer Regulations applicable to Auto Loans will also be applicable to Auto Lease Financing.

5. **Can auto finance for vehicles, which can be used for both personal and commercial purposes (e.g. Hilux etc.), be categorized as Consumer Finance?**

Yes, financing for the purchase of light commercial vehicles, to be used for personal purposes, can be categorized as Consumer Financing.

6. **Can a bank allow running finance / revolving credit exceeding Rs 1 million (fixed for secured personal loans) to individuals against liquid assets under Regulation R-24?**

Yes, loans secured by liquid assets shall be exempt from the limit of Rs 1 million under Regulation R-24.

7. **Is the 15% clean-up (adjustment) condition also applicable to the loans secured by liquid assets? Further, if a bank already requires its customer to adjust a minimum percentage of the outstanding balance (specially in running/ revolving credit), whether in such cases, the 15% clean-up condition still apply?**

The loan secured against liquid assets will not attract the minimum 15% clean-up requirement. The banks/DFIs which require their borrowers to adjust a minimum balance on monthly basis, the cumulative impact of which constitutes at least 15% of the loan, then the banks/DFIs will be treated as compliant to the rule.

8. **Can the general provision, held against consumer loans under Regulation R-4, be taken as part of Tier-2 Capital for the purpose of calculating Minimum Capital Requirements (MCR)?**

General Provision against consumer finance held under Regulation R-4 will be eligible for inclusion in overall General Provisions or General Reserves for loan losses

under Tier 2 (Supplementary) Capital. The maximum limit of overall General Provisions or General Reserves for loan losses, would remain unchanged i.e. 1.25% of total Risk Weighted Assets

9. Is Borrower Basic Fact Sheet (BBFS) applicable in respect of Consumer Financing?

BBFS is not required in respect of Consumer Financing.

10. Is it binding on the banks/DFIs to obtain CIB report from SBP in case of consumer financing?

Currently it is not binding on banks/DFIs to obtain CIB report from State Bank of Pakistan in case of consumer financing.

11. Can the banks/DFIs extend housing finance for investment purposes to a borrower against his existing land/plot holdings?

No, the banks/DFIs cannot extend housing finance against the security of an existing land/plot for investment purposes. However, such financing can be extended for the construction of house only on the existing land/plot.

12. Can the banks/DFIs extend consumer loans to their employees at a lower than market rate?

No, the banks/DFIs cannot extend consumer loans to their employees at a lower than market rate. However, this restriction will not apply on consumer loans which are part of the employees' compensation (salaries & benefits) package.

13. What is the maximum tenure of repayment of consumer loans, obtained for personal needs and purchase of consumer durables, under Regulation R-26?

The maximum tenure of such loans is 5 years. However, this tenure may be increased to 7 years for loans extended for educational purposes only, provided such loans are disbursed directly to the educational institution.

14. Is there any limit for housing finance?

No, there is no limit for housing finance.

15. Is General Provision under consumer financing, required for both regular and stuck-up loans?

No, general provision is required for regular loans only, as the stuck-up loans are already covered under specific provisions.

16. What is the frequency / timing of creating General Provisions against Consumer Financing?

General Provisions are required to be created on quarterly basis.