

STATE BANK OF PAKISTAN

BRANCH LICENCING POLICY

1. The branch licensing policy shall be applicable w.e.f. 1st April, 2001 to all scheduled banks including branches of foreign banks operating within the territory of Pakistan. 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, interalia, 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. However, licence for individual branch opening shall be issued on receipt formal application on prescribed format under the provisions of Section 28 of the Banking Companies Ordinance, 1962 (Annexure 'A'). This will be issued 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 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 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.

3. 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. In addition, the following considerations will also be taken in the grant of licence :-

- i) Banks having CAMEL rating of 1, 2 and 3 in the last ON-SITE inspection shall be eligible for opening further branches.
- ii) The convenience and the needs of the population of the area to be served by the proposed branch.
- iii) Those opening branches in rural and under banked areas will be given preference.
- iv) Preference will also be given to those branches which will be connected electronically, will provide utility bill receipt services and will expedite delivery of home remittances.
- v) In case of foreign banks, in addition to above the performance of their existing branches, level of commitments to the local market, sound international reputation, provision of full range of banking services, new investment by H.O. etc., will be guiding factors for issuing fresh licences.

4. 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. A place/area will deem to be unbanked place if no branch of any other bank is operating within a radius of 5 KM. The closure of the branch should be intimated to the State Bank of Pakistan on the prescribed 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. NCB/DNCBs, (HBL, NBP, UBL, MCB & ABL) will be allowed to consolidate their existing branch network outside the framework of branch licencing 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 next two calendar year i.e. upto 31.12.2002, they will be allowed to relocate any of their existing branch on country wide basis.

5. 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 proforma (Annexure 'C').

6. 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.

7. Licence will be freely granted to Banks to open booth(s) for collection of cash or for making spot payments on account of the following activities:-

- i. Receiving utility bills, Government dues/revenue, cash at utility stores, collection of fee/dues at educational institutions, receiving cash from patients at hospitals, visa fee or other related cash receipts functions only on the recommendations of the concerned Government Department/Institution.
- ii. Making on the spot payment to the growers for procurement of agricultural commodities by the Government or its agencies.
- iii. For exchange of foreign currency subject to normal exchange control regulations.

- iv. For providing limited banking facilities to the participants of international conference & members of National/Provincial Assemblies and the Senate when in session.
 - v. 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.
8. A bank would, however, be free to open 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, provided intimation of such opening is given to the State Bank of Pakistan alongwith necessary information within one week of the date of opening on prescribed proforma (Annexure 'B').
9. Every licenced branch of a scheduled bank shall carry a name, invariably be required to prominently display the location of the branch as stipulated in the licence.
10. Banks shall render themselves liable to pay fine as provided in BPRD Circular No. 21 dated the 9th May, 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.



ANNEXURE-“A”

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 Supervision 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.
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”.

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 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:-

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

(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

<p>which the banking company expects to attract at the proposed office within 12 months.</p>
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1.	<u>Deposits</u>	Amount in thousands of rupees	Rates proposed to be allowed on various types of deposits.	
			Minimum	Maximum

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

10.	<p>Change of location of an existing office:</p> <p>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).</p>
11.	<p>System of supervision and control over the proposed office.</p> <p>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).</p>
12.	<p>Capital and Reserves:</p> <p>Give details regarding the authorised, subscribed and paid-up capital and reserves of the banking company as on the date of the application.</p>
13.	<p>Expenditure:</p> <p>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</p>

	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.

ANNEXURE-“A”

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.
- 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.

<u>WEEK ENDED</u>	<u>LIQUIDITY RATIO</u>	<u>CREDIT DEPOSIT RATIO</u>
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P A R T - II

- 1. Name of the proposed branch

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

NAME OF THE BRANCH

DISTANCE

I. Applicant Bank's branch

II. Other Bank's Branches

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
 - (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 expects to attract/undertake within 3 years of its operation.

1 st Year	2 nd Year	3 rd Year
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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 is expected to become a profitable unit.

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

1 st Year	2 nd Year	3 rd Year
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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.

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 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 shall in no way violate the Town Planning Regulations of the respective authorities.

Signature of the Survey Officer

c) Certificate

FOR UNBANKED AREA BRANCHES ONLY

Certified that no bank branch 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:_____

**PARTICULARS OF TEMPORARY PLACE OF BUSINESS OPENED UNDER
AUTHORITY OF PARA 9 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:_____

PARTICULARS OF THE BRANCH SHIFTED

1. Name of the Bank:_____
2. Name of the Branch shifted:_____
3. Licence No._____ Dated:_____
4. Premises from which shifted:_____
5. Exact location of the premises to which shifted:_____
- _____
6. Date of shifting:_____
7. Reasons necessitating the shifting (In detail)_____
- _____
- _____
- _____

8. Distance (in meters/kilo meters) of the old premises with nearest branches of other banks.

	NAME OF BANK	NAME OF BRANCH	DISTANCE
(a)			
(b)			
(c)			
(d)			
(e)			
(f)			

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

	NAME OF BANK	NAME OF BRANCH	DISTANCE
(a)			
(b)			
(c)			
(d)			
(e)			
(f)			

10. Certified that location of new premises does not violate the Town Planning Regulations of the concerned authority.

(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 CLOSED

- 1. Name of the Bank:_____
- 2. Name of the Branch closed:_____
- 3. Licence No._____ Dated:_____
- 4. Date of closure:_____
- 5. Reason necessitating closure (in detail):_____

- _____
- 6. 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).:_____
 - 7. 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)

TABLE ‘A’

Name of the Banking Company:_____

Number of existing offices making losses:_____

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

TABLE ‘B’

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)

Name of Place	Description i.e, whether branch, sub-office, pay-office, subpay office, etc.	Date of opening	DEPOSITS				ADVANCES				Remarks
			Current	Savings	Others	Total	Secured	Unsecured	Doubtful or bad	Total	
1	2	3	4	5	6	7	8	9	10	11	12

