

MICROFINANCE INSTITUTIONS - BRANCH LICENCING POLICY

1. Microfinance Banks / Institutions 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 new places of business/branches. The plan would, interalia, indicate the number of the new branches proposed to be opened in urban and rural areas covering proposed location of the branch and the area i.e. village, town, union council or district which it would serve, population and poverty profile of the area, MFIs/NGOs already engaged in provision of micro credit/other related services in the area, nature of products being offered, the number of community organizations/Village Groups/Urban Groups, if any, planned to be developed, proposed size of credit extension, deposit mobilization as well as the branches proposed to be closed (if any), 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.

2. State Bank will consider the Plan for new branches keeping in view the need of the system, financial strength of Microfinance Institution as evident from adequacy of its capital structure, earning capabilities, future earning prospects of the MFI, managerial capabilities, liquidity position, track record of adherence to MFI rules, credit discipline, 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. The approval in principle shall be granted for number of new branch(es) that MFI/MFB 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 of formal application on prescribed form (Annexure 'A') and 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 permission/NOC. The approval in principle granted under a particular ABEP shall lapse in case MFI/MFB 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 MFI/MFB fails to open the branch before 31st December of that year. The licence may be revoked in case it subsequently transpires that the MFI/MFB had made material misrepresentation of facts or concealment of material information and the responsible official(s) shall personally be liable for penal action.

3. Microfinance Banks / Institutions will be free to close any of their existing branches without obtaining prior approval of State Bank of Pakistan. The closure of the branch should be intimated to the State Bank of Pakistan on the prescribed form (Annexure "B") within twenty-one (21) days of the closure of the branch, simultaneously surrendering the licence of the branch to the State Bank. Microfinance Institutions will also be free to shift or relocate their branches

within the same city/town/village without prior approval of State Bank. Intimation of shifting of a branch shall however be given to the State Bank within 15 days from the date of its shifting on prescribed form (Annexure 'C').

4. Licence may be granted to Microfinance Institutions to open booth(s) for collection of cash or for making spot payments only in special or exceptional circumstances after obtaining prior approval of State Bank of Pakistan. Microfinance Institutions may be free to open for a special occasion for a period not exceeding one month, a temporary place of business in such locality where that institution 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 form (Annexure "D").

5. Every licenced branch of the Microfinance Institution shall carry a name, invariably required to be prominently displayed at the location of the branch as stipulated in the licence.

6. In case of non-compliance/violation of any of the provisions of the Branch Licensing Policy including closure of branch, the Microfinance Institution shall render itself liable to pay fine, as notified by State Bank of Pakistan from time to time.

