

IRAF: QUESTIONNAIRE FOR SELF-ASSESSMENT
QUESTIONNAIRE ON PRUDENTIAL REGULATIONS FOR MICROFINANCE BANKS

ANNEXURE IV

S #	Particulars	Compliant	Comments
		Scale 1 - 5	

	MINIMUM CAPITAL REQUIREMENTS		
1.	Did the MFB fulfill the minimum capital requirement of MFIs Ordinance 2001 before commencing business?	¹	
2.	Did the MFB maintain equity equivalent to at least prescribed %age of its risk-weighted assets?		
	EXPOSURE AGAINST CONTINGENT LIABILITIES		
3.	Did the MFB limit its contingent liabilities to a maximum of three times of its equity for the first three years of operations and afterwards to a maximum of 5 times its equity?		
	MAINTENANCE OF CASH RESERVE & LIQUIDITY		
4.	Did the MFB maintain, in a current account opened with the State Bank or its agent, cash reserve equivalent to not less than prescribed percentage to its time and demand Liabilities?		
5.	Did the MFB maintain liquidity reserves with SBP in the form of liquid assets i.e. cash, gold and unencumbered approved securities equivalent to at least prescribed percentage of its time and demand liabilities?		
	STATUTORY RESERVE		
6.	Did the MFB create a reserve fund and maintain in it: a) A sum equal to at least prescribed percentage of its annual profits after taxes till the reserve fund equals its paid-up capital. b) A sum not less than prescribed percentage of its annual profit after taxes once the first condition is fulfilled?		
	DEPOSITORS' PROTECTION FUND		
7.	(a)Did the MFB/KB establish the Depositors' Protection Fund and maintain a sum equivalent to at least prescribed percentage of its annual profit after taxes in it? (b) Did the KB contribute continuously in Microfinance		

¹ 1 = Fully Compliant, 2 = Significantly Compliant, 3 = Partially Compliant, 4 = Marginally Compliant, 5 = Non Compliant

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	Social Development Fund at prescribed percentage of its annual after tax profit? ²		
	RESTRICTION ON CERTAIN TYPES OF TRANSACTIONS		
8.	Did the MFB abstain from: <ul style="list-style-type: none"> ○ Allowing any facility for speculative purposes ○ Allowing financing facilities and other Micro finance Services to any of its related parties (excluding staff loan under policy) ○ Entering, without SBP approval, into leasing, renting and sale / purchase of any kind with its related parties or persons who either individually or in concert with their family members own 5% or more of the MFB's equity ○ Holding, dealing or trading in real estate except for office usage 		
	MAXIMUM LOAN SIZE & DISCLOSURE OF BASIC TERMS & CONDITIONS OF FINANCIAL PRODUCTS		
9.	Did the MFB/Bank abstain from extending loans to a single borrower in excess of prescribed limit/-?		
10.	Did the MFB/Bank maintain at least prescribed %age of loan portfolio within prescribed loan limit or below?		
11.	Did the MFB/Bank extend loan amount to borrowers that commensurate with the business requirements and repaying capacity of the borrower?		
12.	Did the MFB extend loans equivalent to the maximum limit only to those borrowers who have an established track record of satisfactory repayment?		
13.	Did the MFB/Bank formulate a credit policy which covers, extensively, issues pertaining to: <ul style="list-style-type: none"> ○ Maximum lending limits ○ Rate to be charged ○ Repayment period ○ Collaterals 		

² Only applicable to Khushali Bank Ltd.

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	MAXIMUM EXPOSURE OF A BORROWER FROM MFBs /MFIs /OTHER FINANCIAL INSTITUTIONS / NGOs		
14.	Did the MFB/Bank ensure to limit total exposure of its clients from all banks / MFIs / MFBs / other Financial Institutions / NGOs to prescribed amount in aggregate?		
15.	Did the MFB/Bank obtain a certificate from the clients describing their borrowings from banks and other Banks/MFIs / MFBs / NGOs?		
	CLASSIFICATION OF ASSETS AND PROVISIONING REQUIREMENTS		
	LOANS & ADVANCES		
16.	Does the MFB/Bank maintain an interest suspense account wherein all unrealized interest/profit/mark-up/service charges on NPLs are credited?		
17.	Does the MFB/Bank classify the NPLs according to the criteria prescribed by SBP from time to time?		
	PROVISIONING REQUIREMENTS		
18.	Did the MFB/Bank maintain a General Provision equivalent to prescribed percentage of the net outstanding advances (advances net of specific provisions)?		
19.	Did the MFB/Bank create specific provisions against NPLs according to the criteria prescribed by SBP?		
	INVESTMENTS AND OTHER ASSETS		
20.	Did the MFB value its investments on mark-to-market basis or make subjective evaluation of investments and other assets to determine their quality, category of classification and provisions required?		
	RESCHEDULING / RESTRUCTURING OF LOAN		
21.	Does the MFB/Bank follow the policy approved by their BOD while rescheduling or restructuring the NPLs?		
22.	Does the MFB/Bank keep the rescheduled/restructured loans classified unless they are serviced regularly for 6 months?		
	WRITING-OFF NON-PERFORMING LOANS (NPLs)		
23.	Did the MFB/Bank write off all its NPLs, one month after the loan is classified as loss?		

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	PRICING OF MF PRODUCTS AND SERVICES		
24.	Did the MFB/Bank devise and implement appropriate pricing policies to ensure access of affordable financial services to the poor without hampering its operational and financial self-sustainability?		
	INVESTMENT IN SHARES OF ANY CORPORATE BODY		
25.	Did the MFB limit its investment in shares of companies to a maximum of prescribed %age of paid-up share capital of the company or prescribed %age of its own equity free of losses (whichever is less)?		
26.	Did the MFB obtain prior permission from SBP for making an investment in excess of the prescribed limit?		
	PREVENTION OF CRIMINAL USE OF MFB CHANNELS FOR THE PURPOSES OF MONEY LAUNDERING AND OTHER UNLAWFUL TRADE		
27.	(a) Did the MFB develop and implement effective procedures and methods to determine the true identity of its clients while considering proposals for extending Micro finance facilities? (b) Did the MFB obtain by-laws, Memorandum & Articles of Association and Board Resolution while extending deposit services to Corporate clients?		
	REMOVAL OF RECORDS		
28.	Did the MFB shift from the specified area any of its records and documents either physically or electronically after the prior permission in writing of the State Bank of Pakistan?		
	MANAGEMENT		
29.	Does no member of the Board of Directors of the MFB holding 5% or more of the paid-up capital of the MFB either individually or in concert with family members or concerns/ companies in which he/she has the controlling interest, is appointed in the MFB in any capacity except as the Chief Executive?		
30.	Does the MFB have executive directors (paid directors) not more than prescribed limit of the total directors?		
31.	Does the MFB abstain from making any payment to executive directors except for traveling and daily allowances for attending meetings of the Board of Directors or its Committees?		

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	PLACES OF BUSINESS		
32.	Did the MFB seek prior permission in writing of the State Bank before opening new places of business?		
	UNDERTAKING OF CASH PAYMENTS OUTSIDE THE MFB's AUTHORIZED PLACE OF BUSINESS		
33.	Did the MFB abstain from undertaking any business of cash payments at any place other than the authorized place of business?		
	RECONCILIATION OF INTER-BRANCH ACCOUNTS AND SETTLEMENT OF SUSPENSE ACCOUNT ENTRIES		
34.	Did the MFB reconcile/clear and take to the proper head of account all entries outstanding in the Inter-Branch Accounts or the Suspense Account within a maximum period of 30 days from the date of entry?		
	AUDIT AND SUBMISSION OF ACCOUNTS		
35.	Did the MFB get its books of accounts audited in line with the provisions of section 16 of Micro Finance Institutions Ordinance, 2001 and submit three copies of the annual audited accounts along with the auditors' opinion to the State Bank within three months of the close of the accounting year?		
	INTERNAL AUDIT		
36.	(a) Does the MFB have an Internal Audit Department manned by professionals or persons having prior audit experience in banks or Financial Institutions? (b) Does the Head of the Audit Department of MFB report directly to the Board of Directors or to an Audit Committee of the Board?		
	OPERATIONAL POLICIES		
37.	(a) Did the Board of Directors of the MFB/Bank formulate and approve operational policies for the following areas? <ul style="list-style-type: none"> ○ Micro-credit ○ Investments ○ Internal audit ○ Human resource ○ Rescheduling/restructuring/write-off of loans/advances (b) Did the MFB ensure submission of the policies, duly approved by its Board of Directors, to State Bank within 6 months of commencement of its operations?		

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	RESTRICTION ON ELECTION AND APPOINTMENT OF DIRECTORS		
38.	Did the MFB elected or appointed a person as a director, an officer or an employee under the criteria of Prudential Regulations No. 26 for MFBs?		
39.	Is the Board of Directors of MFB fulfilling the broader responsibilities defined/stipulated in Corporate Governance guidelines/regulations of SBP issued from time to time?		
	SUBMISSION OF STATISTICAL RETURNS		
40.	Did the MFB submit in the prescribed format the Bi-Weekly Statement of Affairs and Quarterly Statement of Condition to the State Bank?		
	CREDIT RATING		
41.	(a) Did the MFB get rated within three years of grant of license by State Bank of Pakistan to operate as MFB or within one year of commencement of deposit mobilization services (which ever is earlier), from any of rating agencies on the panel of State Bank of Pakistan or any international microfinance rating agency with prior approval of SBP? (b) Did the bank update credit rating on a continuous basis from year to year within four months of the close of financial year after the first rating? (c) Did the MFB submit rating report to SBP and disclose to the public within 7 and 15 days of notification of the latest rating by the rating agency respectively?		
	DEFINITION OF POOR PERSON		
42.	Do the MFB follow the criteria enunciated by SBP for eligibility of its borrower?		
	DISCLOSURE OF LENDING / DEPOSIT RATES BY MFBS		
43.	(a) Does the MFB facilitate the public to inform decisions for the determination to educate its clients on important terms and conditions of all products including loans and savings? (b) Does the MFB disclose completely the lending and deposit rates (annualized percentage rate) of all its products in contract / documents signed with their clients? (c) Do the MFB's relationship officers also read out all terms and condition of the contract/document before its clients? (d) Does the MFB adhere requirement to display important terms and conditions of		

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	<p>all products on the entrance/ or window of its branches?</p> <p>(e) Does the MFB educate its customers about the charges as well as customer's obligations in respect of other services like ATM, micro-insurance etc.?</p>		
	DECLARATION OF FIDELITY AND SECRECY		
44.	Does the MFB get a declaration of fidelity and secrecy 'FORM' from every member, director, auditor and staff member of the microfinance bank, before entering upon his/her office and performance of duties.		
	PRUDENTIAL REGULATIONS FOR COMMERCIAL BANKS FOR MICRO FINANCE OPERATIONS UNDER MODE IV		
	PERSONAL GUARANTEES		
45.	Did the bank obtain personal guarantees of the directors other than nominees of NGO-MFIs in line with instruction stipulated in relevant Prudential Regulation?		
	SECURITIES		
46.	<p>(a) Did all extended facilities of the bank to NGO-MFI are secured?</p> <p>(b) Is the bank obtaining statements of receivables from NGO-MFIs on monthly basis for the facilities extended against the security of loan receivables?</p>		
	MINIMUM CONDITIONS FOR TAKING EXPOSURE		
47.	<p>(a) Did the bank give due weightage to e-CIB while considering proposals for any exposure (including renewal, enhancement and rescheduling / restructuring) to NGO-MFI?</p> <p>(b) Did the bank directly obtain credit report of NGO-MFI from Creditors (if information of NGO-MFI is not found in CIB of SBP)?</p> <p>(c) Did the bank properly record reasons and justifications in the approval form for the exposure on the borrowers having overdue/default in CIB?</p> <p>(d) Did the bank obtain a copy of financial statements duly audited by a practicing Chartered Accountant, relating to the business of NGO-MFIs irrespective of facility amount?</p> <p>(e) Did the bank make financial analysis from Audited Accounts to check the operational self sufficiency and financial self sustainability of the NGO-MFIs?</p> <p>(f) Did the bank abstain to approve and / or provide any exposure (including renewal, enhancement and rescheduling / restructuring) until and unless the</p>		

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	Loan Application Form (LAF) prescribed by the banks is accompanied by a 'Borrower's Basic Fact Sheet' under the seal and signature of the NGO-MFI, as per approved format of the State Bank of Pakistan?		
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President/CEO

Secretary to BOD