

# **IRAF: QUESTIONNAIRE FOR SELF-ASSESSMENT**

## **QUESTIONNAIRE ON PRUDENTIAL REGULATIONS FOR CORPORATE GOVERNANCE**

### **ANNEXURE VI**

S #	Particulars	Compliant	Comments
		Scale 1-5	

	<b>APPOINTMENT OF MEMBERS BOD &amp; SENIOR MANAGEMENT</b>		
1.	Did the bank/DFI obtain prior clearance of SBP for appointment of the Chairman/President/Managing Director/Chief Executive/ All board members?	1	
2.	Did the bank/DFI follow the guidelines contained in Fit & Proper Test for appointment of the following key executives: <ul style="list-style-type: none"> <li>• President/ Chief Executive</li> <li>• Chief Financial Officer</li> <li>• Head of Internal Audit</li> <li>• Country Treasurer</li> <li>• Head of Credit/Risk Management</li> <li>• Head of Operations</li> <li>• Head of Compliance</li> <li>• Head of Human Resources</li> <li>• Head of IT</li> </ul>		
3.	Did the President and Chairman & members of Board of the Bank/DFI sign and preserve before assuming office the declaration of Fidelity & Secrecy drafted in the format prescribed by SBP?		
	<b>RESPONSIBILITIES OF THE BOD<sup>2</sup></b>		
4.	Did the BOD adopt a vision/mission statement and overall corporate strategy and ensure its compliance?		
5.	Did the Board approve the following policies: <ul style="list-style-type: none"> <li>• Internal Audit &amp; Control</li> <li>• Risk Management</li> <li>• Human Resources</li> <li>• Credit</li> <li>• Write-offs</li> <li>• Recovery</li> <li>• Rescheduling/Restructuring of Debt</li> <li>• Treasury Management</li> <li>• Investments</li> <li>• Compliance</li> <li>• IT security and BCP</li> <li>• Donations/Charity</li> <li>• Frauds prevention</li> <li>• Country risk</li> <li>• KYC</li> </ul>		
6.	Does the Board have a system to monitor the implementation of the above policies?		

<sup>1</sup> 1 = Fully Compliant, 2 = Significantly Compliant, 3 = Partially Compliant, 4 = Marginally Compliant, 5 = Non Compliant

<sup>2</sup> Questions 5-33 do not apply to foreign bank branches with head offices outside Pakistan.

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7.	Does the Board review/update existing policies periodically and whenever circumstances justify?		
8.	Did the bank/DFI put in place any system to point out/verify whether any of its directors has committed default in payment of dues to a financial institution or tax authority during the course of his directorship?		
9.	Does the board include experienced non-executive directors?		
	<b>BOARD OF DIRECTORS MEETINGS</b>		
10.	Does the Board meet frequently (preferably on monthly basis but not less than once in a quarter)?		
11.	Does the Management provide sufficient information on the agenda items to the Board well in advance of each meeting?		
12.	Do the minutes of the Board meetings give detail of the proceedings and deliberations?		
13.	Does remuneration paid to directors for attending the Board meetings comply with the provisions of the Articles of Association and regulatory instructions?		
14.	Did all the directors on individual basis attend at least half of the meetings held in a financial year?		
	<b>BOARD COMMITTEES</b>		
15.	Did the Board constitute specialized committees with well defined objectives, ToRs, authorities and tenure, comprising of non-executive board members, to review following functions: <ul style="list-style-type: none"> <li>• Audit</li> <li>• Risk Management</li> <li>• Recruitment</li> <li>• Compensation</li> <li>• Credit</li> </ul>		
16.	Do these committees apprise the full Board of their activities and achievements on regular basis?		
17.	Does the audit committee consist of at least three members, with the majority being non-executive directors?		
18.	Did the audit committee meet at least once every quarter?		
19.	Does the Head of Internal Audit Department report directly to the Audit committee?		
	<b>SHAREHOLDING</b>		
20.	Does the bank/DFI have executive directors (paid directors) not more than prescribed limit of the total directors?		

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21.	Do directors of the same family get a representation of not more than prescribed limit of the total directors on the Board?		
22.	Do the directors of the bank/DFI not hold directorship in other banking companies or companies which among themselves are entitled to exercise more than prescribed limit of the total voting rights?		
23.	Does any member of the Board of Directors of the bank/DFI holding 5% or more of the paid-up capital of the bank/DFI either individually or in concert with family members or concerns/companies in which he/she has the controlling interest, is not appointed in the bank/DFI in any capacity except as the Chief Executive?		
24.	Did the person or institution holding more than 5% of the total shares of any bank or financial institution seek prior permission from SBP?		
25.	Does the bank/DFI submit to SBP half yearly statement of <i>Foreign Nationals</i> shareholdings in the bank/DFI?		
26.	Did the bank/DFI abstain itself from entering into leasing, renting or sale/purchase of any kind with its directors, employees or any persons who individually or in concert with family members beneficially own 5% or more of the equity of the bank/DFI.		
27.	Did any of the directors, CEO, or executives or their spouses sell, buy, or take any position, whether directly or indirectly, in shares of the bank/DFI by notifying to the board?		
	<b>RESPONSIBILITIES OF SENIOR MANAGEMENT</b>		
28.	Did the Board clearly define the authorities and key responsibilities of both the Directors and the Senior Management without delegating policy-making powers to the Management?		
29.	Does there exist an effective MIS to keep the Board fully informed of activities, operating performance, financial condition of the bank/DFI, the environment in which it operates, the various risks the bank/DFI is exposed to?		
30.	Do the board members abstain from involving in day to day business of the bank/DFI?		
31.	Did all the Board members attend at least 1-2 weeks training program(s) that enable them to play effective role as a director of bank/DFI, at an institution like Pakistan Institute of Corporate Governance or other similar institution within first year of their directorship on the Board of bank/ DFI? <b>BPRD Circular No.03 [2007]</b>		
32.	Did the members of the board of directors abstain from appointing any advisor(s) for assistance in discharge of		

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	their duties/responsibilities at the banks/DFIs expense and in case of such hiring, assistant's remuneration/expenses is borne by the concerned Board member himself/herself after the advisor sign an appropriate confidentiality agreement? <b>BPRD circular 3[2007]</b>		
33.	Does the board evaluate performance of the management at regular intervals?		
34.	Did the Board thoroughly review SBP inspection Report?		
35.	Did the Board approve the action plan for compliance to the SBP inspection Report?		
	<b>EXTERNAL AUDITORS, ACCOUNTS AND MANAGEMENT LETTER</b>		
36.	Did the bank/DFI appoint the auditor from the SBP approved panel of auditors?		
37.	Did the bank/DFI change its external auditor after prescribed period?		
38.	Does the Board of Directors ensure timely receipt of management letter from the external auditors and submission of a copy of the management letter to SBP?		
39.	Did the Board ensure implementation of appropriate action in consultation with the audit committee of the board within one month to deal with control and other weaknesses identified in the management letter?		
40.	Did the bank/DFI publish and circulate on quarterly basis un-audited financial statement of the bank along with the directors' review?		
41.	Whether External auditors removed before expiry of 3 years?		
42.	If yes, was approval of SBP obtained?		
	<b>COMPLIANCE</b>		
43.	Did the Bank/DFI devise a Compliance Program to ensure compliance with all relevant laws in true letter & spirit and to minimize legal and regulatory risks?		
44.	Whether the Board/Country Manager (in case of foreign banks) of the bank/DFI has appointed/designated a suitably qualified and experienced person as Compliance Officer at the national level assisted by other Compliance Officers down the line?		

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45.	Do the Compliance Officers: 1. Serve as a contact point between President/Chief Executive Officer and senior management, with regards to functioning of the Compliance Program? 2. Provide assistance in this area to branches and other Departments of the bank / DFI? 3. Act as liaison with State Bank of Pakistan concerning the issues related to compliance?		
46.	Did statement on Compliance with code of Corporate Governances, Risk Management and Internal Control as per the relevant guidelines duly included?		

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**President/CEO**

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**Secretary to BOD**