



NEW BANK FUND RULES

I. Fund Description and Objectives & Purposes

1. A fund namely the New Bank Fund (NBF) shall be created in SBP under section 17 subsection 19(A), of SBP Act 1956 to encourage emergence of new licensed MFIs at provincial and district levels, specially in rural areas, through soft loans for institutional strengthening and developing institutional infrastructure for delivery of micro & rural finance services. The assistance from the Fund shall be restricted to up to 50% of the paid-up capital of the licensed MFI.

II. Contributions & Investments

2. The contribution to the NBF shall be as follows:
 - (i) Initial contribution of Rs.0.500 million from MFIs institutional strengthening component of ADB loan 1806 Pak (SF) to establish the Fund and open the Fund account at SBP (BSC) Bank Karachi;
 - (ii) Initial contribution by Federal Government equivalent to USD15 million out of the proceeds of second tranche of the RFDSP;
 - (iii) Revenues earned on the investments/placements of the funds;
 - (iv) Interests earned on the loans to MFBs from the Fund and
 - (v) Other contributions, donations/grants etc. by donors and stakeholders.
3. The monies in the NBF shall be invested in approved securities as defined in section 5(a) of the Banking Companies Ordinance 1962. However up to 10% of the Fund's resources could be placed in a remunerative account with a reputed commercial bank to release the funds to the eligible MFBs.

III. Governance & Administration

4. The Micro & Rural Finance Support Division (MRFSD) of SBP shall manage & administer the Fund under the NBF framework and policy guidance of the NBF Committee. It shall inter alia undertake following functions for managing & administering the Fund:

- (i) Investment of the fund resources in the light of policy approved by the NBF committee;
- (ii) Opening and maintaining the Funds remunerative account;
- (iii) Reviewing Yearly Plans of Operations of the MFBs or other documents prescribed by NBF Committee in the light of policy approved by the Committee and conditions of agreement with the MFBs;
- (iv) Processing MFBs' requests for release/disbursement of funds;
- (v) Accounting, record keeping and maintenance of books of accounts of the Fund;
- (vi) Preparation of annual accounts & financial statements;
- (vii) Engagement of external auditors for getting the NBF accounts & financial statements audited;
- (viii) Providing secretarial services to the NBF Committee and
- (ix) Preparing a web page for wider dissemination of the NBF facility.

IV. Annual Reports

- 5. The NBF committee shall prepare annual report on the NBF covering the objectives of the Fund, investments, level of utilization during the year to which the report pertains and outreach of the institutions, which accessed the Fund's resources. The report along with the financial statements and auditors' report shall be forwarded to Ministry of Finance and Asian Development Bank within six months of the close of the accounting year.

V. Eligible Institutions

- (i) The MFBs licensed by SBP to operate as province or district based MFBs;
- (ii) The commercial banks interested in transformation of their cluster of rural/semi-rural branches into Microfinance Banks shall be eligible to access the Fund's resources for capacity building of their subsidiary MFBs;
- (iii) The provincial cooperatives banks shall also be eligible to access the Fund's resources, provided they opt for conversion into MFBs under the MFIs framework and
- (iv) The institutions eligible to access the NBF resources shall also be eligible to access the Microfinance Social Development Fund (MSDF) & Community Investment Fund (CIF) created under Microfinance Sector Development Program (MSDP) at terms defined in the MSDF & CIF framework.

VI. Terms & Conditions

- (i) The institutional building and network expansion expenses shall inter alia include acquisition of computer hardware and software systems, support for development of critical systems, policies & manuals, vehicles for delivery of MF services, office equipments and furniture, trainings with focus on Training of Trainers (ToTs) and any other item considered necessary for capacity and institutional building of the MFBs;
- (ii) The MFBs shall be eligible to access the Fund's resources in 3 to 5 years from the date of signing of agreement;
- (iii) The loan shall carry a service fee of 0.5% p.a. payable semiannually on 30th June & 31st December;
- (iv) The principal shall be repayable in 20 equal semi annual installments, on 30th June & 31st December, starting 1 year after release of last tranche of the loan to the MFBs;
- (v) The MFBs shall enter into an agreement with the NBF Committee to access the Fund's resources; the agreement shall inter alia specify the goals and objectives of partnership, performance indicators, funds release criteria, monitoring mechanism, terms of the loan and grant etc;
- (vi) Unless otherwise prescribed by the NBF Committee, the MFBs after entering into partnership with the NBF Committee, shall submit Yearly Plan of Operation duly approved by their Board of Directors to the Micro & Rural Finance Support Division of SBP; the plan shall inter alia give the detail of activities to be undertaken by the MFBs during a year under the partnership along with the rationale, expected outcome/impact particularly with respect to network and outreach expansion and detailed budgets; the M&RFSD shall release the funds to the MFBs after ensuring conformity of the plan with the objectives of the partnership and compliance with other terms and conditions/covenants agreed while entering into partnership;
- (vii) The MFBs shall formulate policies for procurement of goods and services under the partnership, maintain separate account for the funds released under the partnership with written policy for operating the account, shall maintain detailed record of all transactions and arrange audit on yearly basis by the auditors from amongst the SBP Panel of auditors; SBP or any of its authorized persons may inspect the books of the MFBs any time during or after the currency of the partnership;
- (viii) The MFBs accessing NBF resources shall ensure that at least one third of their clients are women and
- (ix) The NBF Committee may prescribe additional conditions to ensure effective and productive utilization of the fund's resources.

VII. NBF Committee

6. There shall be an NBF Committee comprising:
 - (i) a nominee of SBP Governor who shall also be the Chairperson of the Committee;
 - (ii) a nominee of Federal Government;
 - (iii) a nominee of Pakistan Banks Association;
 - (iv) a nominee of licensed MFBs (to be nominated by them jointly) and
 - (v) a nominee of Pakistan Microfinance Network (PMN)
7. The tenure of the members except from SBP and the Federal Government shall be three years from the date of constitution of the committee; they may however, nominate the same person for the second term of three years;
8. Any Member of the New Bank Fund Committee may at any time resign by giving notice in writing to the Chairperson and from the date specified in the notice or, if no date is specified, from the date of receipt of the notice by the Chairperson, he/she shall cease to be a Member of the NBF Committee and
9. A vacancy occurring as a result of the removal or resignation of a Member shall be filled within one month of the creation of vacancy.

VIII. Functions of the NBF Committee

10. The NBF Committee shall ensure effective utilization of the Fund's resources and shall have all powers, authority and discretion necessary or expedient for achieving the objectives and purposes of the NBF.
11. Without prejudice to the generality of the para 10, the NBF Committee shall:
 - (i) Approve the NBF investment policy for investing the Fund resources in approved government securities;
 - (ii) Develop & design the partnership agreements for entering into partnership with the MFBs under the NBF framework;
 - (iii) Sign partnership agreements with the MFBs;
 - (iv) Prescribe the form and contents of Yearly Plan of Operations (YPOs) to be submitted by MFBs to access the Fund's resources;
 - (v) Design and prescribe performance indicators and bench marks to ensure objective and judicious utilization of the fund resources;
 - (vi) Review the funds release criteria prescribed in the NBF rules and make changes or prescribe revised criteria for the same to ensure effective and productive utilization of

the fund resources; the changes/revision shall be sent to SBP Central Board for ratification;

- (vii) Appoint professional and independent auditors acceptable to ADB for auditing the Fund accounts and
- (viii) Hire specialists to evaluate the impact on the poor of usage of resources of NBF Account;

IX. Meetings of the NBF Committee

- (i) The meetings of the NBF Committee shall be held at such times and at such places as the Chairperson may determine;
- (ii) Ordinary meetings of the NBF Committee shall be convened by a written notice of up to seven days to the Members by the Chairperson. The Chairperson may, at his/her discretion, and shall, at the written request of any Member within seven days of receipt of such request, convene a special meeting of the NBF Committee to transact any extraordinary business. A written notice shall be addressed and sent to the Members at least three days prior to the date of the meeting;
- (iii) The quorum necessary for transacting business at a meeting of the NBF Committee shall be 3 members;
- (iv) The meetings of the NBF Committee shall be presided over by the Chairperson and in his/her absence by a Member authorized by him/her in this behalf, and in default of such authorization by a person elected for the purpose by the Members present from amongst themselves and
- (v) The minutes of every meeting of the NBF Committee shall be recorded and confirmed at the next meeting.

X. Travel and Per Diem

- 12. The Members shall not be entitled to reimbursement of expenditure incurred by them for travel and per diem costs from the fund resources. The institutions of the respective members shall bear the cost of travel etc of the members.

X...X...X...X