

# **Handbook for Licensing/ Authorization of Regulated Entities (2026)**



**State Bank of Pakistan**

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# Introduction

Under Section 4C(h) of the State Bank of Pakistan (SBP) Act, 1956, SBP is empowered to issue licenses/authorizations to financial institutions falling within its regulatory domain. From time to time, SBP has issued licensing guidelines for its regulated entities. These licensing/authorization guidelines have now been updated and consolidated into a comprehensive document titled the *“Handbook for Licensing/Authorization of Regulated Entities”*.

This licensing handbook forms part of a broader set of requirements that outline SBP’s approach to licensing/authorization of institutions intending to operate in Pakistan as a Bank, Digital Bank, Microfinance Bank, Exchange Company, Electronic Money Institution, Payment System Operator/ Payment Service Provider, or Private Credit Bureau.

SBP’s licensing/authorization approach is generally aligned with the international standards such as the Basel Core Principles, Financial Action Task Force (FATF) Recommendations, and other international best practices, while being adapted to the local environment to ensure a secure, efficient, and transparent financial system. The Handbook prescribes the fundamental licensing/authorization requirements, processes, and documentation for submission of applications, and sets out the eligibility criteria and key characteristics that will form the basis for their assessment under various licensing/authorization categories.

This document serves as a reference point for prospective applicants and should be read in conjunction with the relevant SBP’s prudential regulations, guidelines, and circulars as specified in the document. It is the responsibility of the applicants to ensure that licensed institutions’ internal policies, governance structures, and risk management frameworks align with SBP’s regulatory requirements.

Words and expressions used herein but not defined shall have the same meaning as assigned to them in the State Bank of Pakistan Act, 1956; the Banking Companies Ordinance, 1962; the Companies Act, 2017; the Microfinance Institutions Ordinance, 2001; the Foreign Exchange Regulation Act, 1947; the Payment Systems and Electronic Fund Transfers Act, 2007; the Credit Bureaus Act, 2015, the Anti-Money Laundering Act, 2010; or in any other relevant laws, rules, regulations, instructions, circulars, guidelines or frameworks.

# Licensing/ Authorization Process of Regulated Entities

## A. Legal Mandate

1. State Bank of Pakistan (SBP), under Section 4C(h) of the SBP Act, 1956, is empowered to license, regulate and supervise scheduled banks and financial institutions that fall under its domain (collectively called Regulated Entities (REs)). Accordingly, the laws relevant to the licensing/ authorization of REs are as follows:
  - a. Commercial Banks (Conventional, Islamic and Digital Banks) are licensed under Section 27 of Banking Companies Ordinance, 1962 (BCO, 1962), whereas Islamic Banking subsidiaries are allowed under Section 23(1)(aa) of the BCO, 1962.
  - b. Microfinance Banks (MFBs) are licensed under Section 12 and 13 of the Microfinance Institutions Ordinance, 2001.
  - c. Exchange Companies (ECs) are authorized under Section 3AA of the Foreign Exchange Regulation Act, 1947.
  - d. Electronic Money Institutions (EMIs) are licensed under Section 24 of the Payment Systems and Electronic Fund Transfers Act, 2007 (PS&EFT Act, 2007).
  - e. Payment System Operators (PSOs) & Payment Service Providers (PSPs) are authorized under Section 3 of the PS&EFT Act, 2007.
  - f. Private Credit Bureaus (PCBs) are licensed under Section 4 of the Credit Bureaus Act, 2015.

## B. Category of Licenses/ Authorization

1. The licensing/ authorization criteria and requirements for each RE vary depending on the size and scope of their business activities, associated risks, and target market. The applicant is required to comply with these general requirements as well as the specific licensing/ authorization criteria outlined in the relevant chapters. SBP issues the following categories of licenses/authorizations for its REs:

| Regulated Entity (RE)                                          | Category of Licenses/ Authorization                                                                                                                                                                                             | Relevant Department                           |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Bank                                                           | <ul style="list-style-type: none"> <li>License to operate as:               <ol style="list-style-type: none"> <li>i. Conventional Bank</li> <li>ii. Islamic Bank</li> <li>iii. Branches of Foreign Bank</li> </ol> </li> </ul> | Banking Policy & Regulations Department       |
| Digital Bank                                                   | <ul style="list-style-type: none"> <li>License to operate as:               <ol style="list-style-type: none"> <li>i. Digital Retail Bank (DRB)</li> <li>ii. Digital Full Bank (DFB)</li> </ol> </li> </ul>                     |                                               |
| Microfinance Bank                                              | <ul style="list-style-type: none"> <li>License to operate as Microfinance Bank</li> </ul>                                                                                                                                       |                                               |
| Exchange Company                                               | <ul style="list-style-type: none"> <li>Authorization to conduct Foreign Exchange Business</li> </ul>                                                                                                                            | Exchange Policy Department                    |
| Electronic Money Institution (EMI)                             | <ul style="list-style-type: none"> <li>License to conduct E-Money Activities</li> </ul>                                                                                                                                         | Payment Systems Policy & Oversight Department |
| Payment System Operator (PSO) & Payment Service Provider (PSP) | <ul style="list-style-type: none"> <li>Authorization as Payment System Operator or Payment Services Provider</li> </ul>                                                                                                         |                                               |
| Private Credit Bureau                                          | <ul style="list-style-type: none"> <li>License to operate as Credit Bureau</li> </ul>                                                                                                                                           | Consumer Protection Department                |

## C. General Requirements

1. License/ Authorization application will be considered based on the overall needs of the financial system.
2. The proposed entity must be incorporated under the Companies Act, 2017, except in the case of foreign banks applying for operations under branch mode.
3. The applicant<sup>1</sup> must:
  - a. have clear and transparent ownership structure with disclosure of the beneficial ownership of prospective sponsors, including and extending to any natural person(s), where applicable.
  - b. demonstrate adequate financial strength for prospective investment/ support future capital needs, through legitimate/ verifiable source of funds.
  - c. possess a well-established reputation for honesty and integrity, supported by a verifiable track record of prudent financial conduct.
  - d. submit a comprehensive feasibility/ viable business plan for proposed business license/ authorization.
4. The Fit & Proper Test (FPT) prescribed by SBP shall be applicable on the prospective sponsors/ beneficial owners, directors, CEO and key executives, as detailed in the relevant chapters.
5. Applicants shall demonstrate the capacity to comply with all applicable laws and regulatory requirements, including those relating to Anti-Money Laundering / Combating the Financing of Terrorism/Countering Proliferation Financing (AML/CFT/CPF) regulations, consumer protection rules, data security, and relevant prudential regulations.
6. License/ Authorization as tabulated at section B above, shall not be granted to shell companies/ banks. Further, the foreign applicant shall ensure to have at least one natural person resident director within Pakistan.
7. In the event of a change in the controlling shareholder of a RE, a new license/authorization shall be issued in lieu of the existing license/authorization. The issuance of the new license/ authorization shall be subject to compliance with the prescribed requirements under this Handbook, including the FPT, and any other conditions as may be prescribed by SBP for the prospective sponsors.

## D. In-eligibility

1. Any person (legal or natural) having any of the following disqualification shall not be eligible to obtain license/authorization for RE or become its sponsor shareholder:
  - a. proscribed/ designated persons or associates;
  - b. convicted<sup>2</sup> or their associates;

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<sup>1</sup> The licensing application may be submitted directly by the applicant i.e. prospective sponsors/ promoters or through an authorized representative, such as financial consultant or legal advisor. In such cases, the applicant remains fully responsible for the accuracy and completeness of the information and documentation provided.

<sup>2</sup> of any serious offence, including any Money Laundering/ Terrorism Financing offence or any predicate offence set out in Schedule I of the Anti-Money Laundering Act, 2010.

- c. disqualified by any regulator/ authority;
- d. declared bankrupt or subjected to attachment of his/her assets by any court;
- e. default of payment of dues owed to any financial institution in individual capacity or as proprietary concern or any partnership firm or in any private unlisted/listed company;
- f. associated with company or any other financial institution/organization, the authorization/license of which has been revoked/ cancelled, or the entity has gone into liquidation, due to financial or regulatory misconduct, mismanagement of affairs, or malpractices;
- g. member/office bearer of any political party or member of Senate, National/Provincial assembly/assemblies/ Local Bodies or any public office holder.

## **E. Assessment of Licensing/ Authorization Application**

1. The licensing/ authorization process encompasses the assessment of the transparency of ownership and control structure; suitability of sponsors, including the beneficial owners; fitness and propriety of directors and senior management; adequacy of capital, including sources of initial capital and ability of sponsors to provide additional financial support, whenever required.
2. The assessment shall also cover the strategic and operational aspects, such as evaluation of feasibility/ business proposal including projected financial estimates, corporate governance structure, risk management and internal controls, compliance mechanism for consumer protection and AML/CFT/CPF obligations, IT infrastructure, and cyber security aspects, etc.
3. SBP reserves the right to revoke any approval, license/ authorization granted to a RE, including but not limited to circumstances where it is determined, at any stage, that such approval was obtained through misrepresentation, false or misleading information, or on any other similar grounds, without prejudice to any other action that may be initiated or taken under the applicable laws and regulations.

## **F. Processing Fee**

1. The applicant shall deposit the following non-refundable processing fee along with the application:

| <b>Regulated Entity (RE)</b>                                     | <b>Fee</b>                        |
|------------------------------------------------------------------|-----------------------------------|
| Bank                                                             | PKR 05 million or USD Equivalent  |
| Digital Bank                                                     | PKR 05 million or USD Equivalent  |
| Microfinance Bank                                                | PKR 02 million or USD Equivalent  |
| Exchange Company                                                 | PKR 02 million or USD Equivalent  |
| Electronic Money Institution (EMI)                               | PKR 0.2 million or USD Equivalent |
| Payment System Operator (PSO) and Payment Service Provider (PSP) | PKR 0.2 million or USD Equivalent |
| Private Credit Bureau                                            | PKR 0.2 million or USD Equivalent |

## **G. Timeline**

1. The licensing/ authorization is an iterative process that may involve several rounds of feedback from SBP, and resubmissions from the applicant. However, decisions regarding the licensing/ authorization are generally made within six to eight weeks, subject to the application being fully compliant and the submission of all requisite information/ documentation.

2. The timeframe for obtaining a license/ authorization may vary, depending on the quality and completeness of the application requirements, feedback from external stakeholders, and responsiveness of the applicant throughout the licensing/ authorization process.

## **H. Dissatisfaction and Right of Appeal**

1. Submission of a licensing application to SBP does not guarantee issuance of license/ authorization. SBP reserves the sole discretion to approve or reject any application based on its assessment of the applicant's compliance with the applicable legal, regulatory, and prudential requirements.
2. In case an application is declined, the applicant may submit an appeal to the SBP for reconsideration of its decision.

## **I. Post Licensing/ Authorization**

The RE shall, at all times, be required to comply with the applicable laws, rules and regulations. The RE shall be obligated to submit such returns, statements, or information as may be required by SBP to demonstrate continued compliance.

# Chapter 1: Commercial Banks (Conventional & Islamic)

## 1. Eligible Persons/Entities for Commercial Bank License

- i. Eligible applicants for a commercial banking license include natural and legal persons with demonstrable financial strength, integrity, and relevant experience in banking or financial services.
- ii. A group, as defined under the SBP's PRs for Corporate/Commercial Banking, that already owns a commercial bank shall not be eligible to apply for a license to establish another commercial bank of same type. However, the restriction shall not apply where the proposed bank is of a different category subject to the proper justification, e.g., a group owning a conventional bank may establish an Islamic bank, Digital Bank or a Microfinance bank.
- iii. In order to consolidate and strengthen the banking sector, a moratorium shall remain in place on the establishment of new commercial banks 100% owned by the local sponsors. However, foreign investors, either independently (as a wholly-owned subsidiary) or as a controlling shareholder in collaboration with local partners, are permitted to open commercial banks through a locally incorporated company.
- iv. Additionally, a listed foreign banking company may be licensed to conduct banking operations in Pakistan in branch mode, subject to the following:
  - a. banks having a global tier-1 paid up capital of US\$5 billion or more; or
  - b. applicant bank is incorporated in a jurisdiction that is a member of a regional grouping or association of which Pakistan is also a member, and its home country supervisor maintains a prudential regulatory and supervisory framework that is broadly compliant with international standards, particularly the Basel Core Principles and FATF Recommendations, and the bank has a satisfactory track record of compliance with the regulatory requirements. SBP during evaluation may also consider the willingness of the home supervisory authority to engage in effective supervisory cooperation and information exchange with SBP.

## 2. Regulatory Capital Requirements

- i. To be able to commence business of banking, the locally incorporated bank<sup>3</sup> shall have a minimum paid up capital of PKR 20 billion or any other amount as prescribed by SBP from time to time.
- ii. Foreign bank branches will generally be required to maintain assigned capital (net of losses) at the following levels:

|                        |    |                                                                            |
|------------------------|----|----------------------------------------------------------------------------|
| Up-to<br>branches:     | 5  | PKR 5 billion or any other amount as prescribed by SBP from time to time.  |
| From 6 to<br>branches: | 50 | PKR 10 billion or any other amount as prescribed by SBP from time to time. |

<sup>3</sup> <https://www.sbp.org.pk/circulars/bprd-circular-no-02-of-2026>

- a. The capital shall be deposited with SBP, either through transfer of funds from outside Pakistan, or from assets acquired using remittable profits earned in Pakistan.
- b. The assigned capital of a foreign bank branch shall be maintained in any one or more of the following forms, as permitted under Section 13(3) of the BCO, 1962:
  - i. Interest-free deposit in cash in Pakistani Rupees;
  - ii. Interest-free deposit in a freely convertible foreign currency approved by SBP; or
  - iii. Deposit of unencumbered, approved securities.
- iii. The proposed regulated entity shall be required, at all times, to maintain the Minimum Capital Requirement (MCR) and comply with CAR as well as liquidity and leverage requirements.

### 3. Corporate Governance Requirements

The applicant shall follow the requirements of the SBP's Corporate Governance & Regulatory Framework (CGRF), as amended from time to time. In addition, applicants for Islamic banks shall also comply with the requirements stipulated in SBP's Shariah Governance Framework. The key requirements for sponsors, board and CEO/ management in this context are outlined below:

#### Requirements for Sponsors

- i. The prospective sponsor(s) shall meet the Fit & Proper (FPT) Criteria, as specified in the SBP's CGRE, as amended from time to time. FPT shall include the assessment of prospective sponsors/ beneficial owners up to natural person(s) that may be connected with the sponsors, where applicable.
- ii. SBP may as part of the FPT also consider financial performance of the businesses in which prospective sponsor(s) have control or substantial ownership, particularly businesses offering financial services.
- iii. Prospective sponsor(s) shall collectively subscribe to at least 51% of the minimum paid-up capital.
- iv. The prospective sponsor(s) of the proposed bank shall submit an undertaking:
  - a. To meet the obligation of ongoing compliance with the MCR, CAR, and other capital and liquidity requirements;
  - b. To comply with all the terms and conditions of bank license;
  - c. To ensure that no changes are made to the proposed legal, managerial, operational, and ownership structures of the bank and its wider group that may hinder effective supervision or the implementation of corrective measures by SBP at any point in time;
  - d. That the names of sponsor(s)/ beneficial owner(s) of sponsor(s) have not been placed on the United Nations Security Council Consolidated List or any other list of banned, proscribed or blacklisted, disqualified individuals or other entities maintained by the Government of Pakistan or by any foreign government or regulator/ authority.

#### Constitution of Board of Directors

- v. The applicant shall also comply with all provisions applicable to commercial banks in relation to Board structure and composition as mentioned in SBP's CGRE, as amended from time to time which may include but not limited to:

- a. Applicants shall ensure that the Board of Directors comprises of a minimum of seven (7) directors, including at least one (1) female director.
  - b. The number of directors who are family members (as defined in Section 5(ff) of BCO, 1962) shall not exceed 25% of total board members.
  - c. At least one-third of the total strength of the board should consist of Independent Directors.
  - d. A director cannot serve on the board (including as a nominee director of the Government) of any other bank/DFI.
  - e. Maximum two members of a board including its President/CEO/MD can be the Executive Directors.
- vi. For Islamic banks, Shariah Board shall be appointed in accordance with the SBP's Shariah Governance Framework.

#### **Appointment of Board, CEO and Key Executives**

- vii. FPT of applicant proposed Board, CEO and Key Executives will be conducted in accordance with the provisions of the SBP's CGRE, as amended from time to time. The fitness and propriety of individuals will be assessed on the following broad elements: a. Eligibility, b. Integrity, Track Record & Reputation, c. Financial Credibility, d. Conflict of Interest, and e. Qualification and Experience.
- viii. For Islamic Banks, a tentative list of Shariah Board members, identified in accordance with "Fit & Proper Criteria" as prescribed in SBP's Shariah Governance Framework, to be engaged shall be submitted. Subsequently, if there is any change in the submitted list, the same shall also be conveyed.

#### **4. Other Operational and Regulatory Requirements**

- i. Applicants shall develop appropriate policies and procedures to ensure smooth operations with effective internal controls, and shall comply with the applicable regulatory requirements, included but not limited to the following areas:
  - a. Risk Management (including credit, liquidity, operational, market, interest rate and climate related risks; stress testing; ICAAP);
  - b. Accounting Systems;
  - c. Customer onboarding, AML/CFT/CPF;
  - d. Foreign Exchange Management;
  - e. Technology (including Enterprise Technology Governance & Risk Management Framework);
  - f. Outsourcing;
  - g. Audit;
  - h. Cloud Services Arrangements;
  - i. Cybersecurity;
  - j. Consumer Protection;
  - k. Fraud Risk Management;
  - l. Coordination mechanism with Financial Monitoring Unit, Law Enforcement Agencies, National Database & Registration Authority.

**Additional Requirements for Islamic Banks:**

- a. Accounting policies shall include reference to SBP Circulars on Islamic Financial Accounting Standards applicable on Islamic banking institutions;
- b. Formulation of pool management and profit and loss distribution policy, in light of SBP instructions issued from time to time;
- c. Adequate IT based system catering to the requirements of allocation of (a) deposits; (b) financing, investments and placements; (c) income and expenses; and (d) movement of assets to/from different pools;
- d. Charity policy in line with instructions issued by SBP on the subject from time to time.

**5. Listing on the Pakistan Stock Exchange (PSX)**

- i. The proposed regulated entity shall be incorporated as a public limited company and obtain listing on the PSX at the time of commencement of business.
- ii. The proposed regulated entity, if not listed at the time of commencement of business, shall complete the listing within a maximum period of four years from the date of commencement of business.

**6. Licensing Process****Pre-Application Stage**

- i. Prospective applicant is encouraged to contact SBP's designated focal person to discuss their plans prior to the submission of formal application, through:  
The Director  
Banking Policy and Regulations Department  
State Bank of Pakistan

**Application Stage and Documentation/ Information Requirement**

- ii. The formal application shall be submitted along with all the relevant documentation and information (in softcopy machine-readable format e.g. MS Word/ Excel, searchable PDF) as set out in Clause v. to ix. below, as well as [Appendix-2A](#), at the following email address: banklicensing@sbp.org.pk.
- iii. Indicate the subject of the email as "Application for Commercial Banking License - <Full name of applicant>", and include the following table in the body of the email:  
Name of contact person:  
Designation:  
Contact number:
- iv. The application shall be considered as complete only after all the documents and information required by SBP have been received. Incomplete applications shall not be entertained. SBP may require any additional details/ documents, as deemed appropriate.

**Feasibility Study and Business Plan**

- v. The applicant shall submit comprehensive feasibility study including the components listed in [Appendix-1A](#) with the license application.
- vi. The business plan shall include detailed financial projections (bank-wide and for each of the major business line/ customer segments) covering a period of at least five years from the

commencement of commercial operations. In case the break- even period is more than five years, the projections should cover the extended period. For Islamic bank applications, applicant shall indicate Shariah compliant modes of Finance and the expertise available with them for compliance of their business and operations with Shariah.

#### **Sponsors' Financial Strength and Funding Plan**

- vii. Prospective Sponsor(s) shall exhibit strong financial strength, including ready and unencumbered sources of funds, a viable capital/ funding plan to comply with the MCR, CAR, and other regulatory capital requirements on an ongoing basis.
- viii. SBP shall review the sources of funds, financial standing and credit worthiness of the sponsors, including their ability to raise future capital requirements.
- ix. Applicant shall submit clear ownership/ control structure of the bank (i.e. shareholders having control over the bank).

#### **No Objection Certificate**

- x. If the SBP considers the application satisfactory, SBP may issue a No Objection Certificate (NOC), which may be subject to certain terms and conditions and may be used for incorporation of the proposed bank as a public limited company with Securities and Exchange Commission of Pakistan (SECP).

#### **In-principle Approval (IPA)**

- xi. After incorporation of the company and complying with all the other terms and conditions stated in the NOC, the applicant shall apply to SBP for In-principle Approval (IPA) within six months of the issuance of the NOC.
- xii. The application for the IPA shall be accompanied by a certified copy of the incorporation certificate issued by SECP, certified copies of the Memorandum of Association and Articles of Association and any other documentation and/ or information as advised by SBP.
- xiii. If SBP considers the application satisfactory, SBP may grant an IPA laying out terms and conditions required to be fulfilled prior to the commencement of pilot operations. IPA shall remain valid for a period of 12 months from the date of its issuance (IPA validity).
- xiv. The applicant may request SBP for an extension in the validity of IPA at least two months prior to expiry, together with rationale. SBP may, at its discretion, extend the IPA validity.

#### **Operational Readiness**

- xv. Once the applicant attains operational readiness and complies with all the terms and conditions under the IPA including compliance with applicable MCR, it shall apply to SBP within the IPA validity for a restricted license to commence pilot operations.
- xvi. The application under clause above shall include:
  - a. A Board resolution authorising the applicant to apply for the restricted license;
  - b. A detailed report approved by the Board demonstrating operational readiness, supported by adequate documentation evidencing such readiness, including in the areas of governance, organizational structure, process and technology pertaining to business, operations, risk, compliance, consumer protection, business continuity and cyber security.

- xvii. SBP shall assess the operational readiness and compliance with all the terms and conditions of IPA through on-site inspection.

#### **Pilot Stage under Restricted License**

- xviii. After satisfactory assessment of operational readiness, the applicant may be awarded a restricted license authorising commencement of pilot operations. The pilot stage shall be for a minimum period of three months.
- xix. The restricted license shall be non-renewable and valid for a fixed term not exceeding nine months from the date of issuance.

#### **Commencement of Commercial Operations**

- xx. Subsequent to conclusion of pilot operations and compliance with all the terms and conditions under the restricted license for pilot stage, the applicant shall apply to SBP, within the time stipulated under the restricted license, for a license to commence commercial operations.
- xxi. The application under clause above shall include:
  - a. A board resolution authorizing to apply for commencement of business.
  - b. A detailed report, duly approved by the Board, demonstrating readiness for such launch. The report shall contain details of compliance with the conditions of license, including MCR, confirmation of the deposit of sponsor shares with CDC, a description of infrastructure deployed and capabilities (including independent cyber security assessment, technological infrastructure) necessary to evidence the bank's preparedness to launch commercial operations.
- xxii. SBP's supervisory team will conduct an onsite review of systems and controls, after which a report will be prepared for the approval of business commencement.
- xxiii. In case of Islamic Banks, the applicant shall submit a certificate that the procedure/process manuals regarding all Products, Operations, Credit & Risk Management, Treasury, Internal Control including Shariah Compliance, Shariah Audit, Information Technology Systems and HR have been approved by the Shariah Board and the Board of Directors of the bank.
- xxiv. Following a satisfactory evaluation by the SBP, approval for the commencement of business operations by the bank will be granted.

### **7. Post-Commencement of Business**

- i. Upon approval to commence business, the bank shall at all times ensure compliance with the conditions of its license and all applicable laws, rules and regulations. In addition, the bank shall obtain membership of the Deposit Protection Corporation (DPC) following the approval of DPC's Board, and shall pay the applicable premium and comply with DPC's regulations and instructions as issued from time to time.
- ii. In the event of any change(s) in the directors, CEO and key executives of a bank their appointment shall be subject to FPT of SBP.

- iii. The sponsors of the bank shall not dispose of their shares, directly/ indirectly, or in any manner whatsoever, for a minimum period of three years, and thereafter only with the prior written approval/ FPT clearance of the acquirer from SBP.
- iv. The sponsors of the bank shall also ensure to give prior intimation to SBP before dealing with any investor, bank, institution or person for sale/purchase/transfer of sponsor shares of bank, and seek SBP's prior written approval for allowing due diligence of the bank.
- v. The bank shall ensure that sponsor shares, along with any subsequently acquired/ received shares, in any manner whatsoever, are deposited in a blocked account with the Central Depository Company of Pakistan (CDC), as required under Section 14(4A) of the BCO, 1962, read with PR G-5 of SBP's CGRF, as amended from time to time.
- vi. The dividends on foreign shareholding can be remitted freely abroad, as per prevailing Foreign Exchange Rules.

## Chapter 2: Digital Banks (Conventional & Islamic)

### 1. Eligible Persons/Entities for Digital Bank License

- i. The following will be eligible to form and seek a license for a proposed digital bank:
  - a. A traditional bank, having minimum one-year experience of delivering Digital Financial Services (DFS) in the retail customer segments, may apply either individually or with other equity participants. However, SBP may advise an extended period of experience if the traditional bank's performance is not considered satisfactory by SBP.
  - b. An international bank or international DFS entity having a successful track record of a minimum of three years of delivering DFS in the retail customer segments, may apply either individually or with other equity participants.
  - c. An Electronic Money Institution (EMI) seeking conversion into a digital bank having minimum one-year experience of delivering DFS in the retail customer segments. However, SBP may advise an extended period of experience if the EMI's performance is not considered satisfactory by SBP. Further, pilot phase operation period of an EMI may be counted towards one year operations requirement for an EMI seeking to transform into a digital bank.
  - d. Those holding majority stake in or exercising control over a Microfinance Bank (MFB), EMI, international bank or international DFS entity having a successful track record of a minimum of three years of delivering DFS in the retail customer segments, may apply either individually or with other equity participants.
  - e. Any other person having a minimum of three years of experience in the financial services, financial technology, telecommunication, merchant aggregation technology platforms, Information Communication Technology (ICT), or other pertinent digital or innovative financial and non-financial domains, when applying to form a digital bank with a minimum of 5% equity in the proposed digital bank either individually or preferably with at least one of the individuals or entities, as the case may be, listed in sub-clause (a), (b) and (d) being a minimum 5% equity participant in the proposed digital bank.
- ii. Of the persons or entities mentioned in clause 2.1 (i)(a) and (d), traditional banks or those with majority stake in or exercising control over MFBs and EMIs are encouraged to collaborate with established entity(ies) or investor(s) who can effectively contribute as sponsor(s) in collectively delivering innovative, robust and sustainable digital bank value proposition, when applying for a digital bank license.
- iii. For the purpose of clause 2.1 and its sub clauses, "international DFS entity" shall mean a digital bank, electronic money institution, payment firm or relevant fintech by whatever name called, such as those dealing in payments, remittances and lending, operating outside of Pakistan.
- iv. A group, as defined under the SBP's Prudential Regulations for Corporate/Commercial Banking, already owning one traditional bank shall not be eligible to apply for a digital bank license, except where the digital bank is proposed as a subsidiary of the traditional bank.

#### Note

- v. This chapter is primarily designed for setting-up of a new digital bank. However, based on a viable business case and satisfactory Digital Financial Services (DFS) experience, traditional banks/MFBs may request SBP for conversion of their institution into a digital bank. In this regard, the applicant bank/MFB shall submit a tenable and comprehensive policy/

transformation plan for its conversion into Digital Retail Bank (DRB) or Digital Full Bank (DFB). Nevertheless, the applicant bank/MFBs shall be required to fulfil the prescribed capital requirements during the transition or progression phases.

- vi. DRB and DFB licenses may have conventional and Islamic variants. Further, conventional variant of DRB and DFB may also offer Islamic window operations as per existing practice after obtaining specific approval of SBP.
- vii. Generally, only a licensed DRB shall be eligible to apply for a DFB license and interested DRBs may apply for DFB license in accordance with Clause 2.11. However, SBP may consider direct licensing for DFB as subsidiary of existing banks, licensed by SBP or international banks, subject to fulfillment of minimum capital and other regulatory requirements as prescribed by SBP.

## 2. Regulatory Capital Requirement

- i. Applicants must demonstrate the ability to comply with SBP's capital adequacy requirements from the commencement of banking operations and have the capacity to meet future capital requirements as prescribed by SBP.

### ii. Minimum Capital Requirement (MCR)

| Bank | MCR at grant of restricted license for pilot stage/ DFB license (PKR Billions) | MCR at commercial launch (PKR Billions) | MCR during each financial year after the year of commercial launch/ DFB license (PKR Billions) |        |        |
|------|--------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------|--------|--------|
|      |                                                                                |                                         | Year 1                                                                                         | Year 2 | Year 3 |
| DRB  | 1.5                                                                            | 2                                       | 2.5                                                                                            | 3      | 4      |
| DFB  | 6.5                                                                            | N/A                                     | 8                                                                                              | 10     | -      |

### iii. Capital Adequacy Ratio (CAR)

| Particulars | Application & Licensing Stages                            | Transition Phase | Conclusion of Transition Phase and Subsequent Operations |
|-------------|-----------------------------------------------------------|------------------|----------------------------------------------------------|
| DRB         | 15% (comprising 9.5% CET1 CAR, 12.5% total CAR, 2.5% CCB) |                  |                                                          |

  

| Particulars | At Grant of DFB License                                    | Progression phase | Conclusion of Progression Phase and Subsequent Operations                                     |
|-------------|------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------|
| DFB         | 13.5% (comprising 7% CET1 CAR and 11% total CAR, 2.5% CCB) |                   | Same CAR requirements as for the commercial bank (conventional or Islamic as the case may be) |

- iv. Upon conclusion of the progression period (which also entails meeting the MCR of PKR 10 billion), the CAR regime applicable to commercial banks and Islamic banks shall apply to the conventional and Islamic variants of DFBs respectively.
- v. The proposed bank shall, at all times, maintain the MCR and comply with CAR as well as liquidity and leverage requirements. SBP may impose higher capital requirements during the initial years, depending on the risk profile of the proposed bank.

### 3. Corporate Governance Requirements

The applicant shall follow the requirements of the SBP's Corporate Governance & Regulatory Framework (CGRF), as amended from time to time. The key requirements for sponsors, board and CEO/ management in this context are outlined below:

#### Requirements for Sponsors

- i. The prospective sponsor(s) shall meet the Fit & Proper (FPT) Criteria, as specified in the SBP's CGRF, as amended from time to time.
- ii. FPT shall include the assessment of prospective sponsor(s)/ beneficial owner(s) up to natural person(s) that may be connected with the sponsors, where applicable.
- iii. SBP may as part of the FPT also consider financial performance of the businesses in which prospective sponsor(s) have control or substantial ownership, particularly businesses offering financial services.
- iv. The prospective sponsor(s) must declare the source of funds invested into the bank's capital. Each sponsor and proposed sponsor directors must also demonstrate that their personal net worth is at least equal to the amount they propose to subscribe personally.
- v. The sponsors of the proposed bank shall submit an undertaking:
  - a. To meet the obligation of ongoing compliance with the MCR, CAR and other capital and liquidity requirements;
  - b. To discharge any outstanding deposit liabilities in the event of an exit;
  - c. To comply with all the terms and conditions of bank license;
  - d. That the names of sponsors have not been placed on the United Nations Security Council Consolidated List or any other list of banned, proscribed or blacklisted, disqualified individuals or other entities maintained by the Government of Pakistan or by any foreign government or regulator/ authority.

#### Constitution of Board of Directors

- vi. Applicants must ensure that the Board of Directors comprises a minimum of seven (7) directors, including at least one (1) female director.
- vii. The number of directors who are family members (as defined in Section 5(ff) of BCO, 1962) shall not exceed 25% of total board members.
- viii. A director cannot serve on the board (including as a nominee director of the Government) of any other bank/DFI.
- ix. Maximum two members of a board including its President/CEO/MD can be the Executive Directors.
- x. At least one-third of the total strength of the board should consist of Independent Directors.

- xi. Each member of the Board shall:
  - a. At a minimum possess the qualification of graduation or its equivalent, to the satisfaction of the SBP.
  - b. Have at least five years of senior level experience in business/ management in an active capacity.
- xii. At least one member of the Board shall have adequate experience of providing DFS to retail customer segments in an established and reputable bank, MFB, EMI, payment firm or fintech that deals in payments, remittances or lending.
- xiii. At least one member of the Board shall have adequate knowledge and experience in any of emerging technologies and trends, such as cloud, open API, cyber security, advanced data and analytics.
- xiv. At least one member of the Board shall have adequate experience in banking at a senior level.
- xv. At least one member of the Board may preferably have reasonable DFS experience in international or regional markets.
- xvi. The applicant bank shall also comply with all other provisions applicable to digital banks in relation to Board composition, independent directors, executive directors and other related aspects as mentioned in SBP's CGRF.

#### **Fit & Proper Test (FPT) of Board, CEO and Key Executives**

- xvii. FPT of Board, CEO and Key Executives will be conducted in accordance with the applicable provisions of the SBP's Licensing and Regulatory Framework for Digital Banks in conjunction with SBP's CGRF, as amended from time to time. The fitness and propriety of individuals will be assessed on the following broad elements: a. Eligibility b. Integrity, Track Record & Reputation, c. Financial Credibility, d. Conflict of Interest, and e. Qualification and Experience.
- xviii. In the event of any change(s) in the directors, CEO and key executives of a bank their appointment shall be subject to FPT of SBP.

#### **Orientation of Board of Directors**

- xix. Digital banks shall from time to time arrange orientation of Board members specifically in relation to global, regional and local trends, overall landscape and target market segmentation, insights into general business, governance, operating and technology models, and digital bank regulatory horizon including global and regional perspectives.

#### **Minimum Competencies of CEO**

- xx. The CEO shall:
  - a. At a minimum possess the qualification of graduation or equivalent, to the satisfaction of the SBP;
  - b. Possess at least 5 years of direct experience in managing or overseeing preferably DFS of the retail customer segments in any established and reputable bank, MFB, EMI, PSO/PSP, telecommunication company (if it provides cellular mobile, long distance and international, internet services or any other comparable service), fintech (if it deals in payments, remittances or lending) or technology company (if it deals in payments or remittances); or

- c. Possess at least 5 years of banking related experience at senior level as Executive Vice President and above or equivalent in a bank/DFI/MFB. Further, he/she should have adequate knowledge, expertise and skill-mix related to his/her current functional areas, overall size, complexity and risk profile of the bank/DFI/MFB.

#### **4. Risk, Compliance, Information Technology (IT), Accounting & Outsourcing Requirements**

- i. Applicants shall demonstrate that adequate and appropriate risk management and control systems are in place to monitor and limit risk exposures from the commencement of operations. Applicants shall establish policies and frameworks for managing the following areas.
  - a. Risk Management (including credit, liquidity, operational, market, and interest rate risk; stress testing; ICAAP);
  - b. Accounting Systems;
  - c. Customer onboarding, AML/CFT/CPF Regulations;
  - d. Foreign Exchange Management;
  - e. Technology including Enterprise Technology Governance & Risk Management Framework;
  - f. Outsourcing;
  - g. Audit;
  - h. Cloud Services Arrangements;
  - i. Cybersecurity Framework;
  - j. Consumer Protection Framework;
  - k. Coordination with Financial Monitoring Unit, Law Enforcement Agencies, National Database & Registration Authority.

#### **5. Listing on the Pakistan Stock Exchange (PSX)**

- i. DRB may opt for public flotation or listing on the Pakistan Stock Exchange (PSX) any time during or after the transition phase.
- ii. During the progression phase, DFBs are required to be listed on the PSX before the conclusion of progression period except for DFB subsidiary of a traditional bank, which may opt for listing during the progression phase or any time thereafter. Provided SBP may require that a specified shareholding continue to vest with anyone or an amalgam of sponsors at the time of the application.

#### **6. Licensing Process**

##### **Pre-Application Stage**

- i. The applicant may request for consultation and clarification at the following email address prior to submission of application: [digitalbanksqueries@sbp.org.pk](mailto:digitalbanksqueries@sbp.org.pk).

##### **Application Stage and Documentation/ Information Requirements**

- ii. The applicants intending to apply for digital bank's license may submit their requests at the following email address: [digitalbanksapplications@sbp.org.pk](mailto:digitalbanksapplications@sbp.org.pk).
- iii. The application shall specify whether the application is for conventional or Islamic variant of the DRB.

- iv. The formal application shall be accompanied by all the relevant documentation and information set out in this clause vii to xiii and in [Appendix-2B](#).
- v. The application shall be considered as complete only after all the documents and information required by SBP have been received. Incomplete applications shall not be entertained.
- vi. In case SBP has any concerns pertaining to any part of the application, SBP may give the applicant an opportunity to address those concerns.

#### **Feasibility Study, Business and Enablement Plan**

- vii. The applicant shall submit comprehensive feasibility study, business and enablement plan including the components listed in [Appendix-2A](#) with the license application.
- viii. The business plan shall include detailed financial projections and underlying assumptions, covering a period of at least five years from the commencement of commercial operations. In case the break-even period exceeds five years, the projections shall cover the extended period.
- ix. The business plan shall include justifications if the financial projections signify a consistent or rising loss trend without a clear and tenable path to profitability, or indicate a break-even period exceeding five years from commencement of commercial operations.
- x. A reliance on undue subsidies or financial incentives from the group that creates an unsustainable quicker path to profitability shall be discouraged.

#### **Sponsors' Financial Strength and Funding Plan**

- xi. Sponsors shall exhibit strong financial strength, including ready and unencumbered sources of funds and a viable capital and funding plan to comply with the MCR, CAR, and other regulatory requirements on an ongoing basis.
- xii. SBP shall review the sources of funds, financial standing and credit worthiness of the sponsors, including their ability to raise future capital requirements.
- xiii. SBP may request clarification regarding the sponsor of proposed DRB, having majority stake in or exercising control over the DRB.

#### **Fit & Proper Test (FPT)**

- xiv. FPTs shall be conducted for sponsors, directors, the CEO and key executives in accordance with the applicable provisions of the [SBP's Licensing and Regulatory Framework for Digital Banks](#) in conjunction with [SBP's CGRF](#).

#### **No Objection Certificate**

- xv. If the SBP considers the application satisfactory, SBP may issue a No Objection Certificate (NOC), which may be subject to certain terms and conditions and may be used for incorporation of the proposed bank as a public limited company with Securities and Exchange Commission of Pakistan (SECP).

**In-principle Approval**

- xvi. Subsequent to receiving the NOC from SBP, the applicant shall apply to SECP for incorporation of the proposed DRB as a public limited company. The applicant shall establish its principal/registered office in Pakistan.
- xvii. After incorporation of the company and complying with all the other terms and conditions stated in the NOC, the applicant shall apply to SBP for In-principle Approval (IPA) within six months of the issuance of NOC.
- xviii. If SBP considers the application satisfactory, SBP may grant an IPA laying out terms and conditions required to be fulfilled prior to the commencement of pilot operations.
- xix. IPA shall remain valid for a period of 12 months from the date of its issuance (IPA validity).
- xx. The applicant may request SBP for an extension in IPA validity at least two months prior to IPA expiry, together with a rationale. SBP may, at its discretion, extend the IPA validity.

**Operational Readiness**

- xxi. Once the applicant attains operational readiness and complies with all the terms and conditions under the IPA including meeting the applicable MCR, it shall apply to SBP within the IPA validity for a restricted license to commence pilot operations.
- xxii. The application under clause above shall include:
  - a. A Board resolution authorizing the applicant to apply for the restricted license;
  - b. A detailed report approved by the Board demonstrating operational readiness, supported by adequate documentation evidencing such readiness, including in the areas of governance, organizational structure, process and technology pertaining to business, operations, risk, compliance, consumer protection, business continuity and cyber security;
  - c. Evidence of placement with SBP of a security deposit at least equivalent to the deposit cap specified in Regulation 6.4 of the SBP's Licensing & Regulatory Framework for Digital Banks, as amended from time to time.
  - d. An enforceable and executable bank guarantee submitted by sponsor at the time of seeking SBP's approval for commencement of pilot operations, issued by a reputable bank covering a reasonable period as advised by SBP and in accordance with the phased MCR. The bank guarantee shall be invoked upon non-fulfilment of MCR related commitments/ plan. The bank guarantee issued by the parent bank to its subsidiary digital bank, on arm's length basis, may also be acceptable.
  - e. The bank providing this guarantee shall have its entity's credit rating at least in the AA category from a reputable credit rating agency.
- xxiii. SBP may require the proposed DRB to share any additional documentation or information pertaining to operational readiness.
- xxiv. SBP shall assess the operational readiness and compliance with all the terms and conditions of IPA through on-site inspection. If deemed appropriate, SBP may also advise the applicant to submit third party assessment report from a reputable expert as acceptable to SBP.

**Pilot Stage under Restricted License**

- xxv. After all the SBP requirements have been met including assessment of operational readiness to the satisfaction of SBP, the applicant may be awarded a restricted license authorizing commencement of pilot operations.
- xxvi. The pilot stage shall be for a minimum duration of three months.
- xxvii. The restricted license shall be non-renewable and valid for a fixed term not exceeding nine months from the date of issuance.
- xxviii. If there is a delay in satisfactory conclusion of pilot operations beyond the restricted license validity period, the DRB may apply to SBP for a second restricted license with justification.
- xxix. SBP may, under exceptional circumstances, issue a second restricted license for a specified period not exceeding six months from the date of its issuance.
- xxx. During the pilot stage, the DRB shall comply with the conditions specified in relevant clauses of SBP's Licensing & Regulatory Framework for Digital Banks.

**Commencement of Commercial Operations**

- xxxi. Subsequent to conclusion of pilot operations and compliance with all the terms and conditions under the restricted license for pilot stage including meeting the applicable MCR, the applicant shall apply to SBP, within the time stipulated under the restricted license, for a license to commence commercial operations.
- xxxii. The application under clause xxxi above shall be accompanied by:
  - a. A Board resolution authorizing to apply for commencement of commercial operations;
  - b. A detailed report duly approved by the Board demonstrating readiness for such launch, containing details of pilot stage including satisfactory outcomes, description of infrastructure deployed and capabilities augmented for commercial operations, as well as any further documentation, including independent cyber security assessment of the technological infrastructure, necessary to evidence the DRB's preparedness to launch commercial operations.
- xxxiii. SBP may require the DRB to provide any additional documentation or information.
- xxxiv. SBP shall assess through on-site inspection, DRB's readiness for commercial launch including performance during pilot operations and compliance with all the terms and conditions of restricted license for pilot stage. If deemed appropriate, SBP may also advise the applicant to submit a third party assessment report from a reputable expert as acceptable to SBP.
- xxxv. After all the SBP requirements have been complied within the validity period of the restricted license, including fulfilling the MCR, SBP may grant a license to commence commercial operations under transition phase, with new terms and conditions.
- xxxvi. DRB shall initiate commercial operations within the timelines stipulated in the license referred to above, at which point the transition phase shall commence.

- xxxvii. During the transition phase, the DRB shall comply with the conditions provided under relevant clauses of Regulatory Framework for Digital Banks.

## **7. Digital Bank Subsidiary of a Traditional Bank**

- i. A traditional bank may apply for Digital Bank License, provided the traditional bank meets the capital guidelines issued by SBP and supervisory rating as acceptable to SBP during the last three on-site inspections.
- ii. In addition to general requirements applicable to DRB license applicants, an application under Clause 7 above shall be accompanied by:
  - a. Audited financial statements of the parent bank for the last three years;
  - b. Internal audit findings of the parent bank during the last two years relating to governance, risk, compliance and controls, human resource, IT and digital operations;
  - c. Digital strategy, current stage of digitization and future plans of the parent bank to be implemented;
  - d. IT organogram, current IT strategy and future plans of the parent bank to be implemented;
  - e. Details of strategic direction and performance of the parent bank within the retail customer segments (particularly concerning financial inclusion and credit access);
  - f. Information demonstrating human resource capacity and competencies of the parent bank relating to the implementation of digital and IT business strategies and to offer digital products to customers;
  - g. Most recent customer experience survey and service quality reports of the parent bank during the preceding six months;
  - h. Plan of the proposed DRB to leverage the parent bank capabilities in delivering its business strategy and value propositions.

However, if any of above mentioned reports/documents/information is already available with SBP as part of its supervisory or oversight function, the same is not required to be submitted again with DRB application.
- iii. While reviewing the application, SBP shall consider the historical conduct, capacity and readiness of the parent bank in the light of any of the documentation and information mentioned in clause 2.7(ii) above and competition and concentration in the financial sector.

## **8. Additional Requirements for Sponsors of MFBs and EMIs Applying for Digital Retail Bank License**

- i. In addition to general requirements applicable to DRB license applicants, an application made by those having majority stake in or exercising control over an MFB or EMI shall be accompanied by:
  - a. Audited financial statements of the MFB or EMI for the last three years;
  - b. Internal audit findings of the MFB or EMI during the last two years relating to governance, risk, compliance and controls, human resource, IT and digital operations;
  - c. Business strategy or plan of the MFB or EMI, along with achievements of key performance benchmarks set out in the plan;
  - d. Digital strategy, current stage of digitization and future plans of the MFB or EMI;
  - e. IT organogram, current IT strategy and future plans of the MFB or EMI;

- f. Information demonstrating human resource capacity and competencies of the MFB or EMI relating to the implementation of digital and IT business strategies and to offer digital products to customers;
- g. Most recent customer experience survey and service quality reports of the MFB or EMI during the preceding six months.

However, if any of above mentioned reports/documents/information is already available with SBP as part of its supervisory or oversight function, the same is not required to be submitted again with DRB application.

- ii. While reviewing the application from above-mentioned applicants, SBP may give due regard to the performance of respective MFB or EMI in the light of any of documentation and information mentioned in clause 2.8(i).

## **9. Additional Requirements for Transformation of EMI into Digital Retail Bank Eligibility Criteria and Documentation/ Information**

- i. An EMI with minimum one-year experience of providing DFS from the commencement of commercial operations as an EMI may apply to SBP for transformation into a DRB. In case SBP is not satisfied with the EMI's performance, it may advise the EMI to continue its operations as an EMI for an extended period of operations before reapplying for DRB license. Further, pilot phase operation period of an EMI may be counted towards one year operations requirement for an EMI to transform into digital bank.
- ii. In addition to general requirements applicable to DRB license applicants, an application under Clause 9 above shall be accompanied by:
  - a. A Board resolution authorizing the application for transformation of the EMI to a DRB.
  - b. Feasibility, business and enablement plan approved by the Board, which incorporate separate plans for transformation and conversion covering following components including timelines:
    - i. Legal and corporate formalities to be addressed;
    - ii. Business model alignment including customer segments, products and services;
    - iii. Channel alignment including digital improvisation;
    - iv. Evolution of organizational governance, structure, people, processes/ operations and Portfolio conversion;
    - v. Compliance with all the pertinent provisions of Enterprise Technology Governance Risk Management Framework issued by SBP and amended from time to time;
  - c. Audited financial statements of the EMI;
  - d. Business and digital strategies or plans, achievements of the EMI against key performance benchmarks set out in the plans, future initiatives to be implemented;
  - e. IT organogram, current IT strategy and future plans of the EMI;
  - f. Information demonstrating human resource capacity and competencies of the EMI relating to the implementation of digital and IT business strategies and to offer digital products to customers;
  - g. Most recent customer experience survey and service quality reports of the EMI during the preceding six months.

However, if any of above mentioned reports/documents/information is already available with SBP as part of its supervisory or oversight function, the same is not required to be submitted again with DRB application.

- iii. SBP may, in its discretion and based on its evaluation of the soundness of the business case, allow an established EMI in Pakistan to transform into a DRB.

#### **Licensing and Transition Requirements for EMIs**

- iv. SBP shall evaluate the license application in accordance with the process that applies generally to DRBs. As part of the evaluation, it shall also consider the EMI's performance and capacity in the light of the documentation/ information mentioned in clause 2.9(ii) above.
- v. The process for NOC applicable to other DRB license applicants shall apply except that the NOC issued by SBP shall relate to changes required in the legal form of the EMI to a public limited company if it is incorporated as private limited company, and generally also in the name and Memorandum and Articles of Association of the EMI.
- vi. IPA issued by SBP to the EMI shall contain the terms and conditions for the grant of restricted license for pilot stage, including satisfactory conclusion of transformation, as per the transformation plan finalized in accordance with SBP's advice.
- vii. EMI shall submit to SBP, quarterly progress reports, duly approved by the Board, demonstrating achievements against transformation plan and the IPA conditions.
- viii. The license for commercial operations allowed to the relevant DRB shall also include terms and conditions in relation to any portfolio conversion, based on the conversion plan finalized as per SBP's advice.
- ix. DRB shall convert its portfolio during the transition period, in accordance with the finalized plan referred to above, within the timelines stipulated therein.
- x. Further to the stipulations above, the EMI shall be subject to all the relevant provisions as generally applicable to DRB license applicants and DRBs.
- xi. In case the EMI does not commence commercial operations as a DRB within the validity period of restricted license for pilot stage, SBP may, in its sole discretion, reinstate the EMI license.

### **10. Acquisition by Digital Banks of any Existing Business or Assets**

- i. An applicant considering to set-up a digital bank by acquiring any existing business lines, assets or portfolios, including the whole or part of branchless banking operations or technology from a group or non-group entity, shall incorporate the acquisition plan within the feasibility study, business and enablement plan to be submitted with the application for DRB license.
- ii. The valuation of business, assets and portfolios to be acquired shall be accompanied by a certificate from a reputable valuator describing the basis of valuation and the price at which the business, assets and portfolios are being acquired.

### **11. Application Process, Licensing Stages and Requirements for Digital Full Bank**

- i. An interested DRB may submit a license application for DFB any time after the conclusion of its transition phase.

- ii. The application shall be accompanied by all the relevant documentation and information as indicated in [Appendix-2B](#), in addition to the following:
  - a. Audited financial statements of the DRB for the last three years;
  - b. Internal audit findings of the DRB during the last two years relating to governance, risk, compliance and controls, human resource, IT and operations;
  - c. Business and digital strategies or plans, achievements of the DRB against key performance benchmarks set out in the plans, future initiatives to be implemented;
  - d. IT organogram, current IT strategy and future plans of the DRB to be implemented;
  - e. Information demonstrating human resource capacity and competencies of the DRB relating to the implementation of digital and IT business strategies and to offer digital products to customers;
  - f. Most recent customer experience survey and service quality reports of the DRB during the preceding six months.

However, if any of above mentioned reports/documents/information is already available with SBP as part of its supervisory or oversight function, the same is not required to be submitted again with DFB application.
- iii. SBP shall assess the performance of DRB considering certain aspects, including any of those mentioned in above.
- iv. During the assessment, SBP may require the DRB to provide any documentation or information pertaining to readiness for operating as DFB.
- v. Subsequent to addressing all the related requirements, the DRB shall first receive an approval from SBP after which it shall fulfil all the terms and conditions mentioned therein within the stipulated timelines, including meeting the applicable MCR.
- vi. SBP may conduct its own inspection/ review of readiness of DRB to operate as DFB. If deemed appropriate, SBP may also advise the applicant to submit a third party assessment report from a reputable expert as acceptable to SBP.
- vii. Once all SBP requirements have been met, the DRB shall be granted a DFB license enabling it to commence progression period for DFB, as provided under SBP's Licensing & Regulatory Framework for Digital Banks. Granting of the DFB license, however, shall not prejudice the DRB license held by the entity.

## 12. Post-Commencement of Business

- i. Upon approval to commence business, the bank shall at all times ensure compliance with the conditions of its license, applicable laws, rules and regulations in addition, the bank shall be required to obtain membership of the Deposit Protection Corporation (DPC) following the approval of DPC's Board and must pay the applicable premium and comply with DPC's regulations and instructions as issued from time to time. Further, digital banks shall also comply with all the instructions and regulations issued by DPC. However, during the pilot operations, digital banks are not required to hold DPC membership.
- ii. The sponsors shall not dispose of their shares in a DRB in any manner whatsoever prior to or during the transition phase and thereafter only with prior written approval of SBP in line with applicable laws, rules and regulations.

- iii. The sponsors shall also ensure to give prior intimation to SBP before dealing with any investor, bank, institution or person for sale/purchase/transfer of sponsor shares of bank and seek SBP's prior written approval for allowing due diligence of the bank.
- iv. The bank must ensure that sponsor shares, along with any subsequently acquired/ received shares in any manner whatsoever are deposited in a blocked account with the Central Depository Company of Pakistan (CDC), as required under Section 14(4A) of the BCO, 1962, read with PR G-5 of SBP's CGRF, 2021, as amended from time to time.
- v. Sponsors shall fund any losses incurred to ensure consistent compliance with MCR year to year until the digital bank reaches at least the break-even point.
- i. In the event of any change(s) in the directors, CEO and key executives of a bank their appointment shall be subject to FPT of SBP.

## Chapter 3: Microfinance Banks (Conventional & Islamic)

### 1. Eligible Persons/Entities for Establishing New Microfinance Bank

- i. **Microfinance Institutions** having strong financial and managerial capacity and commitment to the financial sector.
- ii. **Other Financial Institutions** having extensive exposure/experience of agriculture finance, SME finance and/or other related areas. Further, institutions which have demonstrated successful experience with extensive distribution networks and technological resources, such as fintechs, telecom-led financial service providers etc. are also eligible.
- iii. **Person or Group of Persons** where such sponsors have exposure/experience of Microfinance, agriculture finance, SME finance and/or other related areas.
- iv. **Joint Ventures** between banks, fintechs, microfinance institutions, digital financial service providers, telecom companies, etc.
- v. **Foreign Investors** meeting the above eligibility criteria. However, foreign investments shall be governed in accordance with the Investment Policy of the Government of Pakistan.
- vi. A group, as defined under the SBP's PRs for Corporate/Commercial Banking, that already owns a Microfinance bank shall not be eligible to apply for a license to establish another Microfinance bank of same type (conventional or Islamic). The restriction shall not apply where the proposed bank is of a different category, e.g. a conventional MFB may establish an Islamic MFB.

### 2. Regulatory Capital Requirements

- i. To be able to commence business of microfinance banking, the MFB shall have a minimum paid up capital of PKR 02 billion or any other amount as prescribed by SBP from time to time.
- ii. The proposed regulated entity shall be required, at all times, maintain the Minimum Capital Requirement (MCR) and comply with Capital Adequacy Ratio (CAR) as well as liquidity and reserve requirements.

### 3. Corporate Governance Requirements

The applicant shall follow the requirements of the SBP's Prudential Regulation for MFBs issued vide ACFID Circular No. 1 of 2025, as amended from time-to-time. The key requirements for sponsors, board and CEO/ management in this context are outlined below:

#### Requirements for Sponsors

- i. The prospective sponsor(s) shall meet the Fit & Proper (FPT) Criteria, as specified in the SBP's Prudential Regulations for MFBs, as amended from time-to-time. FPT shall include the assessment of prospective sponsors/ beneficial owners up to natural person(s) that may be connected with the sponsor(s), where applicable.
- ii. Prospective sponsor(s) must collectively subscribe to at least 51% of the minimum paid up capital.

- iii. The prospective sponsor(s) shall submit an undertaking:
  - a. To meet the obligation of ongoing compliance with the MCR, CAR and other capital and liquidity requirements;
  - b. To comply with all the terms and conditions of the MFB license;
  - c. To ensure that no changes are made to the proposed legal, managerial, operational, and ownership structures of the MFB and its wider group that may hinder effective supervision or the implementation of corrective measures by SBP at any point in time;
  - d. That the names of sponsors/ beneficial owners of sponsors have not been placed on the United Nations Security Council Consolidated List or any other list of banned, proscribed or blacklisted, disqualified individuals or other entities maintained by the Government of Pakistan or by any foreign government or regulator/ authority
- iv. The institutions interested in sponsoring an MFB either individually or in collaboration with other persons shall submit a resolution of their respective Boards/Governing Bodies covering followings:
  - a. Objectives of proposed investment.
  - b. Amount to be invested.
  - c. Nomination of Directors representing the institution on the proposed MFB Board.
  - d. In addition to the Board's resolution, sponsoring institutions shall also submit latest audited financial statements along with the auditors' opinion on the financial repute and capacity of the institution to make the investment in the proposed MFB.

#### **Constitution of Board of Directors**

- v. The applicant shall comply with all applicable provisions for MFB in relation to Board structure and composition as mentioned in SBP's Prudential Regulation for MFBs, as amended from time to time which may include but not limited to:
  - a. Applicants must ensure that the Board of Directors comprises a minimum of seven (7) directors, including at least one (1) female director.
  - b. Not more than 25% of total board members shall be from the same family.
  - c. No member of the Board shall be a director of another MFB operating in Pakistan.
  - d. At least two (2) or one third of total Board strength should be independent members, whichever is higher.
  - e. Maximum two members of a board including its President/CEO/MD can be the Executive Directors.
  - f. Chairman who is not the President/CEO of the MFB.

#### **Appointment of Board, CEO and Key Executives**

- vi. FPT of Board, CEO and Key Executives will be conducted in accordance with the SBP's Prudential Regulations for MFBs, as amended from time to time.
- vii. Applicant for Islamic MFB shall be required to appoint Shariah Advisor who should meet the "Fit & Proper Criteria" for Shariah Advisor, as amended from time to time. Appointment of Shariah Advisor shall require prior written approval from SBP.

#### 4. Other Operational and Regulatory Requirements

- i. Applicants must develop appropriate policies and procedures to ensure smooth operations with effective internal controls and shall comply with the applicable regulatory requirements on the following areas:
  - a. Risk Management (including credit, liquidity, operational, market, interest rate and climate related risks), stress testing, internal capital adequacy assessment etc.;
  - b. Customer on-boarding and AML/CFT/CPF;
  - c. Accounting Systems;
  - d. Technology (including Core Banking Systems, Enterprise Technology etc.);
  - e. Outsourcing (including Framework for Risk Management in Outsourcing Arrangements by Financial Institutions);
  - f. Cloud Services Arrangements;
  - g. Cybersecurity;
  - h. Fraud Risk Management;
  - i. Consumer Protection.
  - j. Coordination mechanism with Financial Monitoring Unit, Law Enforcement Agencies and National Database & Registration Authority.

#### 5. Requirements for Transformation of Microfinance Institution (MFI) into Microfinance Bank

- i. This section outlines key aspects and essential requirements for MFIs (NBMFCs, NGOs, RSPs, etc.) transformation into MFBs. For detailed guidance, SBP's NGO/ RSPs/ Cooperatives transformation guidelines (available at: <https://www.sbp.org.pk/about/micro/ngo.htm>) may be accessed. MFIs are encouraged to conduct internal assessments to ensure readiness and a smooth transition from non-profit, unregulated entities to profit-oriented and regulated financial institutions.

##### Transformation Cost & Transformation Continuum

- ii. Transformation from MFI into an MFB involves significant costs—pre-transformation expenses, regulatory compliance, taxation, and exposure to external risks. Therefore, the decision should be based on a thorough cost-benefit analysis and keeping in view the following aspects:
  - a. Sufficient operational scale and experience as an MFI, with strong credit portfolio, service network, accounting systems, internal audit, and external reviews;
  - b. Adoption of a professional, business-oriented approach with demand-driven, cost recoverable services;
  - c. Full operational sustainability and progress toward financial self-sufficiency;
  - d. Capacity to meet SBP's minimum capital requirements;
  - e. Access to private risk capital and market-based funding;
  - f. Readiness to operate as a profit-oriented, SBP-regulated financial institution;
  - g. Deployment of reliable IT infrastructure, including core banking and risk management systems;
  - h. Preferably rated by a reputable credit rating agency.
- iii. MFIs should evaluate their readiness against these benchmarks before proceeding with transformation.

**Governance Structure**

- iv. Auditors/consultants shall assess sponsors' capacity to contribute to the new entity's capital, the MFI's governance structure, Board composition, Directors' eligibility, and the Board's understanding of microfinance business and their commitment towards proposed MFB's mission. They will also evaluate the decision-making process and the Board's role in fostering a professional, business-oriented culture. Based on this review, they shall recommend any necessary changes in Board composition and skills aligned with transformation goals and regulatory requirements.

**Recommendation for Transformation**

- v. In addition to the findings of institutional assessment, the auditors/consultants shall exercise an objective analysis of macroeconomic conditions, legal and regulatory environment for the MF sector, and future outlook of the sector. Based on this thorough analysis, auditors/consultants shall recommend that whether the MFIs should go for transformation. They shall also advise on the future course of action if they recommend in favor of transformation.

**Transformation Decision**

- vi. The MFIs' Board, on receipt of the institutional assessment report by audit/consulting team, shall review the report and its recommendations and make a decision to go for transformation or otherwise. In case of a decision in favor of transformation, the Board shall authorize the preparation of a proposal and application for submission to SBP for grant of license to operate as Microfinance Bank under the Microfinance Institutions Ordinance, 2001. The resolution of the Board shall also be submitted to SBP along with other documents.

**6. Licensing Process****Pre-Application Stage**

- i. Prospective applicant is encouraged to contact SBP's designated focal person to discuss their plans prior to the submission of formal application, through:  
The Director  
Banking Policy and Regulations Department  
State Bank of Pakistan

**Application Stage and Documentation/ Information Requirement**

- ii. The formal application must be submitted along with all the relevant documentation and information (in softcopy machine-readable format e.g. MS Word/ Excel, searchable PDF) set out in clause v. to ix. below, as well as [Appendix-3B](#) at the following email address: [banklicensing@sbp.org.pk](mailto:banklicensing@sbp.org.pk).
- iii. Indicate the subject of the email as "Application for Microfinance Banking License <Full name of applicant>" and include the following table in the body of the email:  
Name of contact person:  
Designation:  
Contact number:

- iv. The application shall be considered as complete only after all the documents and information required by SBP have been received. Incomplete applications shall not be entertained. SBP may require any additional details/ documents as deemed appropriate.

#### **Feasibility Study and Business Plan**

- v. The applicant shall submit comprehensive feasibility study including the components listed in [Appendix-3A](#) with the license application.
- vi. The business plan shall include detailed financial projections (MFB-wide and for each of the major business line/ customer segment) covering a period of at least five years from the commencement of commercial operations. In case the break- even period is more than five years, the projections should cover the extended period. For Islamic MFB applications, applicant shall indicate Shariah compliant modes of Finance and the expertise available with them for compliance of their business and operations with Shariah.

#### **Sponsors' Financial Strength and Funding Plan**

- vii. Prospective Sponsor(s) shall exhibit strong financial strength, including ready and unencumbered sources of funds, a viable capital/ funding plan to comply with the MCR, CAR, and other regulatory capital requirements on an ongoing basis.
- viii. SBP shall review the sources of funds, financial standing and credit worthiness of the sponsors, including their ability to raise future capital requirements.
- ix. Applicant shall submit clear ownership/ control structure of the MFB (i.e. shareholders having control over the bank).

#### **No Objection Certificate**

- x. If the SBP considers the application satisfactory, SBP may issue a No Objection Certificate (NOC), which may be subject to certain terms and conditions and may be used for incorporation of the proposed MFB as a public limited company with Securities and Exchange Commission of Pakistan (SECP).

#### **In-principle Approval (IPA)**

- xi. After incorporation of the company and complying with all the other terms and conditions stated in the NOC, the applicant shall apply to SBP for In-principle Approval (IPA) within six months of the issuance of NOC.
- xii. The application for the IPA shall be accompanied by a certified copy of the incorporation certificate issued by SECP, certified copies of the Memorandum of Association and Articles of Association and any other documentation and/ or information as advised by SBP.
- xiii. If SBP considers the application satisfactory, SBP may grant an IPA laying out terms and conditions required to be fulfilled prior to the commencement of pilot operations. IPA shall remain valid for a period of 12 months from the date of its issuance (IPA validity).
- xiv. The applicant may request SBP for an extension in the validity of IPA at least two months prior to expiry, together with rationale. SBP may, at its discretion, extend the IPA validity.

**Operational Readiness**

- xv. Once the applicant attains operational readiness and complies with all the terms and conditions under the IPA including compliance with applicable MCR, it shall apply to SBP within the IPA validity for a restricted license to commence pilot operations.
- xvi. The application under clause above shall include:
  - a. A Board resolution authorising the applicant to apply for the restricted license;
  - b. A detailed report approved by the Board demonstrating operational readiness, supported by adequate documentation evidencing such readiness, including in the areas of governance, organizational structure, process and technology pertaining to business, operations, risk, compliance, consumer protection, business continuity and cyber security.
- xvii. SBP shall assess the operational readiness and compliance with all the terms and conditions of IPA through on-site inspection.

**Pilot Stage under Restricted License**

- xviii. After satisfactory assessment of operational readiness, the applicant may be awarded a restricted license authorising commencement of pilot operations. The pilot stage shall be for a minimum period of three months.
- xix. The restricted license shall be non-renewable and valid for a fixed term not exceeding nine months from the date of issuance.

**Commencement of Commercial Operations**

- xx. Subsequent to conclusion of pilot operations and compliance with all the terms and conditions under the restricted license for pilot stage, the applicant shall apply to SBP, within the time stipulated under the restricted license, for a license to commence commercial operations.
- xxi. The application under clause above shall include:
  - a. A board resolution authorizing to apply for commencement of business.
  - b. A detailed report duly approved by the Board demonstrating readiness for such launch containing details of compliance with the conditions of license including MCR, deposit of sponsor shares with CDC, description of infrastructure deployed and capabilities including independent cyber security assessment, technological infrastructure, necessary to evidence the bank's preparedness to launch commercial operations.
- xxii. SBP's supervisory team will conduct an onsite review of systems and controls, after which a report will be prepared for the approval of business commencement.
- xxiii. Following a satisfactory evaluation by the SBP, approval for the commencement of business operations by the bank will be granted.

**7. Post-Commencement of Business**

- i. Upon approval to commence business, the MFB shall at all times ensure compliance with the conditions of its license, applicable laws, rules and regulations.

- ii. The sponsors of the MFB shall also ensure to give prior intimation to SBP before dealing with any investor, bank, institution or person for sale/purchase/transfer of sponsor shares of MFB and seek SBP's prior written approval for allowing due diligence of the MFB.
- iii. Sponsors shall not dispose of their shares in any manner whatsoever for a minimum period of three years and thereafter only with the specific written approval of the SBP. Sponsors shall require prior written approval from SBP for entering into any share sale/purchase agreement/memorandum of understanding.
- iv. Sponsor shareholders shall deposit their shares in a blocked account with the Central Depository Company (CDC) in terms of BPRD Circular No. 9 of 2009, as amended from time to time.
- v. In the event of any change(s) in the directors, CEO and key executives of an MFB their appointment shall be subject to FPT of SBP.

## Chapter 4: Exchange Companies

### 1. Capital & Regulatory Reserve Requirements

- ii. The minimum paid-up capital of the Company shall be PKR 1 billion.
- iii. The applicant shall be required to maintain fifteen percent (15%) of its paid-up capital as Regulatory Reserve (RR) with SBP in the form of cash and/or unencumbered approved government securities.

### 2. Regulatory Requirements

- i. The applicant shall be required to comply with the regulatory requirements related to corporate governance and the Fit & Propriety Test (FPT) for shareholders, directors, the CEO, and key executives of the proposed company, as outlined in the SBP's Regulatory Framework for Exchange Companies issued by the Exchange Policy Department via FE Circular No. 2 of 2024.

### 3. Authorization Process

- i. An applicant desirous of obtaining an authorization in terms of Section 3AA of the Foreign Exchange Regulation Act, 1947, to operate as an exchange company, may approach SBP for the purpose. The process of authorization would consist of the following three steps:
  - a. No Objection Certificate (NOC) for formation of a Company.
  - b. In-principle approval for operationalization of a Company.
  - c. Issuance of an authorization for commencement of business.

#### Application & Documents

- i. The applicant shall submit an application to the Director, Exchange Policy Department via surface mail as per proforma given at [Appendix-4A](#), along with the required documents and prescribed fee.
- ii. While submitting the application, the applicant shall ensure that the proposed trade name of the Company shall not include the word 'Bank' or any other similar description that indicates activities other than the exchange business.
- iii. The application evaluation process at SBP for NOC shall be based on the factors including, but not limited to, the following:
  - a. The Fitness & Propriety Test (FPT) of the proposed directors, shareholders, and CEO, in terms of Annexure-B of the SBP's Regulatory Framework for Exchange Companies.
  - b. FPT of the ultimate beneficial owner(s).
  - c. Feedback from the relevant stakeholders.
  - d. Legitimacy of source(s) of funds, adequacy of capital, earning prospects, and business plans of the proposed Company.
  - e. Any other relevant information, which might affect the decision with respect to granting an NOC.

#### In-principle Approval

- iv. After receiving NOC from SBP, the applicant shall get the Company incorporated under the Companies Act, 2017 and submit an application to SBP for seeking in-principle approval for operationalization of the Company on the prescribed form given at [Appendix-4B](#). At this stage,

SBP would evaluate that the incorporation of the Company and funding sources for capital injection are as per initial declarations submitted to SBP.

**Issuance of Authorization & Commencement of Operations**

- v. After receipt of in-principle approval, the Company shall initiate the process of operationalization. Once it is ready, the Company shall apply to SBP on the prescribed form given at [Appendix-4C](#) for issuance of an authorization for commencement of business.
- vi. The company shall commence its business within three months from the date of issuance of authorization by SBP; failing which, SBP may reconsider its decision regarding such authorization.
  - a. SBP, before issuance of an authorization, shall conduct assessment of preparedness of the Company to commence operations. Any gaps and observations identified during this assessment process shall be notified to the applicant for rectification. The authorization would only be granted upon complete satisfaction of SBP.
  - b. The authorization of the Company, or any of its outlets, shall not be transferable to any other entity/person of whatsoever nature, through any means, except in cases of merger/acquisition as approved by SBP.

## Chapter 5: Electronic Money Institutions (EMIs)

### 1. Eligible Persons/Entities for EMI License

- i. The public or private companies registered with the Securities and Exchange Commission of Pakistan (SECP) are eligible to apply for an EMI license. Non-banking entities that intend to become EMIs are required to obtain a license from the SBP under the Regulations for EMIs issued vide PSP&OD Circular No. 03 of 2023, as amended from time to time.
- ii. The existing Payment System Operators or Payment Service Providers (PSO&PSP) authorized under the Rules for PSOs & PSPs who intend to function as an EMI may upgrade their PSO/PSP authorizations to EMI license after fulfilling necessary conditions laid down in the Regulations for EMIs.
- iii. SBP may require the applicant to establish a separate subsidiary/entity for the purpose of EMI business.

### 2. Regulatory Capital Requirements

- i. The entities that desire to become EMIs shall fulfill an initial/startup capital requirement of PKR 200 million, and a minimum ongoing capital requirement as per below table:

| Slabs | Average Daily Outstanding E-Money Balance (OEB) | Ongoing Capital Required                                                   |
|-------|-------------------------------------------------|----------------------------------------------------------------------------|
| 1     | Up-to PKR 4 billion                             | PKR 200 million                                                            |
| 2     | Between PKR 4 billion and PKR 10 billion        | PKR 200 million plus 5% of OEB in excess of PKR 4 billion                  |
| 3     | Between PKR 10 billion and PKR 20 billion       | PKR 500 million plus 7.5% of OEB in excess of PKR 10 billion               |
| 4     | Above PKR 20 billion                            | PKR 1.25 billion plus 10 % of OEB in excess of PKR 20 billion <sup>4</sup> |

- ii. The applicant shall maintain at all times, at least ten percent (10%) of the required capital or any other amount prescribed by SBP from time to time, as a security deposit at SBP-Banking Services Corporation (BSC) Office. Five percent (5%) of the security deposit will be kept in a non-remunerative current account with the SBP-BSC and five percent (5%) in the form of Government securities to be kept under lien at SBP-BSC.

### 3. Corporate Governance Requirements

- i. The applicant shall implement an effective corporate governance framework including but not limited to clear organizational structure with well-defined, transparent and consistent lines of responsibility and control mechanism to ensure the integrity of their electronic money business.

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<sup>4</sup> The EMI is required to inform SBP as soon as the OEB exceeds PKR 20 Billion.

- ii. The applicant shall follow the Code of Corporate Governance issued by SECP as far as the provisions thereof do not conflict with any provisions of the Payment Systems & Electronic Fund Transfers Act, 2007, and other relevant regulations issued by SBP.
- iii. Additionally, the applicant is required to fulfill the requirements related to Fit & Proper Test (FPT) and responsibilities of board and management as specified at Section 10 of the Regulations for EMIs.

#### 4. Scope of Activities of EMIs

- i. The e-money providers can offer following activities/services:
  - a. Issue e-money payment instruments.
  - b. Distribute e-money payment instruments.
  - c. Redeem e-money payment instruments.
  - d. Acquire payment instruments of other EMIs and banks/MFBs.
  - e. Multilateral routing, switching and/or processing of payment transactions.
  - f. Services relating to payment aggregation, bill/invoice aggregation, payment initiation, as well as account information etc. However, the funds which are to be remitted abroad for aggregation of funds by an aggregator on behalf of a foreign counterpart, the aggregator must obtain prior approval of SBP.
  - g. Offer escrow services for facilitating domestic e-commerce transactions. However, EMIs shall obtain separate approval from SBP.
  - h. Offer services via secured Application Programming Interfaces (APIs) and other secure methods to other Financial Institutions, Third Party Service Providers (TPSPs) and other Fintech. In this regard, the EMIs have to intimate SBP 30 days prior to offering these services.
  - i. Any other activity permitted by SBP.
- ii. EMIs shall not conduct the business of banking including the acceptance of funds from public for the purpose of lending or investments (other than that required under Section 16 of the Regulations for EMIs). Moreover, EMIs shall refrain from processing, using, trading, holding, transferring value, promoting and investing in virtual currencies or any other prohibited speculative activity as and when prohibited by SBP from time to time.
- iii. EMIs shall neither pay interest/returns to customers nor offer anything that adds to the monetary value of e-money, however, EMI may offer discounts etc. on goods and services provided such discounts are not linked to the amount or length of time e-money is held by the customer.
- iv. EMIs shall not issue e-money payment instruments at a discount, i.e. issue e-money payment instruments that has a monetary value greater than the funds received from customers.
- v. EMIs desirous of offering cross-border e-money products/services shall follow instructions mentioned in the relevant Section/s of Regulations for EMIs.

#### 5. Other Requirements for License

##### Conditions for Licensing Application

- i. The applicant company (public/private) shall be registered with SECP having its head office or registered office in Pakistan.

- ii. The applicant shall have necessary financial resources, policies, procedures, systems & controls, IT systems etc. to effectively and efficiently discharge its responsibilities as an EMI.
- iii. At the time of application for “Initiation Phase” or “In Principle Approval”, details of registration and related documents (i.e. Article and Memorandum) of parent/holding company shall be shared with SBP. No changes shall be made in shareholding or ownership/company structure without SBP’s prior approval.
- iv. SBP reserves the right to suspend/revoke the approval at any stage, if the applicant EMI fails to comply with the conditions of SBP approval(s) in a timely manner.

#### **Exit Plan**

- v. The applicant shall have exit plans at the time of applying for an in-principle approval which may include but not limited to the following:
  - a. The exit plan may cover a minimum time horizon of the business plan addressing different stress scenarios as well as the EMI’s likely responses.
  - b. The envisaged exit plan may include product portfolio exit, liquidation of the EMI or sale/transfer of shares to a third party. All such options shall be explored with adequate risk assessments.
  - c. The overall exit time estimates shall also be indicated in the plan.
  - d. The exit plan shall also provide for adequate protection of customers and relevant stakeholders as well as responsible and effective communications with the concerned stakeholders.
  - e. The exit plan shall remain dynamic to reflect current circumstances and EMIs shall review and update the same regularly.
  - f. The EMIs shall establish alerts or thresholds, which may lead to an evaluation and decision of whether to put in place various contingency measures or to resort to invoking the exit strategy itself.
  - g. During the exit period, the EMI shall ensure full discharge of all its connected obligations and responsibilities to customers, SBP and other stakeholders.
  - h. The EMI should also submit the exit strategy for the outsourcing arrangements including the technology outsourcing
- vi. The applicant shall ensure to allocate sufficient funds within Pakistan for execution of their exit plans.

## **6. Licensing Stages**

### **Initiation Stage**

- i. The entities desirous of applying for a license as an EMI may approach SBP prior to submission of formal application by emailing at [psdpolicy@sbp.org.pk](mailto:psdpolicy@sbp.org.pk) to initiate initial discussion. Alternatively, entities may express interest and seek guidance from SBP through its focal person mentioned below.
- ii. Subsequently, SBP may issue a time-bound no objection certificate (with a validity of 60 days) to the applicant to submit an application through SBP’s Regulatory Approval System (RAS) subject to fulfillment of SBP’s requirements.
- iii. In case of non-availability of RAS, the entity may send its application through surface mail, addressed to:

The Director  
Payment Systems Policy & Oversight Department  
State Bank of Pakistan

#### **In-principle Approval (IPA)**

- iv. After receipt of a complete application and subject to fulfillment of all regulatory requirements, SBP will decide the fate of the application within sixty days for an In-principle Approval (IPA).
- v. In the IPA, SBP may impose terms and conditions required to be fulfilled by the applicant before applying for pilot operations approval.
- vi. If an application for IPA is rejected by SBP, the applicant may apply again after one year of such rejection.

#### **Pilot Operations Approval**

- vii. The applicant shall approach SBP for pilot operations approval once it fulfills the terms and conditions laid down in the IPA letter.
- viii. SBP may allow the applicant to commence “pilot operations” (limited-scale real transactions), once they attain operational readiness, fulfil minimum capital and security deposit requirements and any other requirements as mentioned in IPA.
- ix. SBP may also conduct off-site evaluations/on-site inspections of the applicant at any stage of the licensing procedure.

#### **License to commence “Commercial Operations/ Go Live”**

- x. After satisfactory conclusion of pilot operations and fulfillment of all requirements, the SBP may grant the applicant license to commence Commercial Operations/Go Live.

### **7. Documentary Requirements**

- i. For each stage of licensing process, EMIs shall submit the documents as specified at [Appendix-5A](#).

## **Chapter 6: Payment System Operators (PSOs) & Payment Service Providers (PSPs)**

### **1. Eligible Persons/Entities**

- i. The companies registered with the Securities and Exchange Commission of Pakistan (SECP) are eligible to apply for authorization. Entities that intend to become PSOs & PSPs are required to obtain authorization from the SBP under the Rules for PSOs & PSPs issued vide PSD Circular No. 03 of 2014, as amended from time to time.

### **2. Regulatory Capital Requirements**

- i. The applicant is subject to an initial capital requirement and an ongoing requirement of minimum paid-up capital (where applicable free of losses) of PKR 200 million, or any other amount as may be prescribed by SBP from time to time.
- ii. For each PSO or PSP related business application, an additional 25% of the capital requirement as mentioned above shall be applicable;
- iii. The applicant shall maintain at all times at least ten percent (10%) of the required capital or any other amount prescribed by SBP from time to time, as security deposit at SBP-Banking Service Cooperation (BSC) Office. Five percent (5%) of the security deposit shall be kept in a non-remunerative current account with the SBP-BSC Office and five percent (5%) in the form of Government security to be kept under lien at SBP-BSC Office.

### **3. Corporate Governance Requirements**

- i. Fit & Proper Test (FPT) shall be applicable to Sponsor(s) and Shareholder(s) holding 10% or more shares, directly and/or indirectly, Directors, CEO and Key Executives of the applicant.
- ii. Directors and CEO would require prior clearance from SBP before assuming their responsibilities, while compliance with FPT for Key Executives would be the responsibility of the applicant who shall furnish FPT related information.
- iii. The applicant shall perform self-assessment of fitness and propriety of persons' subject to FPT before submission to SBP, in order to ensure the person fulfills the criteria mentioned in the Rules for PSOs & PSPs.

### **4. Scope of Activities of PSOs & PSPs**

- i. PSOs & PSPs may engage in operating and/or providing Payment Systems related services like electronic payment gateway, payment scheme, clearing house, ATM Switch, POS Gateway, E-Commerce Gateway, etc. acting as an intermediary for multilateral routing, switching and processing of payment transactions.

### **5. Other Requirements for Authorization**

#### **Conditions for Authorization**

- i. The companies registered SECP, whether existing or desiring to establish and operate PSO or PSP is required to obtain approval from SBP.

- ii. The sponsor(s) and shareholder(s), directors, key executives shall fulfill Fit & Proper Test (FPT) requirements. The directors and chief executive officer of the applicant shall require prior clearance from SBP before assuming their roles. FPT of key executives would be the responsibility of the PSO or PSP.
- iii. It is mandatory for the applicant to integrate with the national payment gateway (i.e. RAAST).
- iv. The applicant must have:
  - a. Policies, procedures and controls approved by their Board of Directors;
  - b. Organizational structure approved by its Board of Director with appropriate segregation of organizational functions;
  - c. Adequate staffing and resourcing arrangements technically qualified and experienced in the relevant field of business;
  - d. Proper documented contracts and agreements pertaining to the critical functions to run the business;
  - e. Properly equipped and maintained facilities to house Technology and Processing Systems within Pakistan.

#### **Rejection of Application or Cancellation of Permission**

- v. SBP may reject any application or cancel permission to operate as PSO & PSP, if it is in the public interest, or if it is found that:
  - a. Any of the requirements of the application have not been fulfilled;
  - b. Any information provided by the applicant is found to be misreported or misrepresented to SBP, or there is any contravention with the relevant laws, rules, guidelines and regulations by the PSO & PSP;
  - c. Any of the provisions of the Payment Systems & Electronic Fund Transfers Act, 2007 have not been fulfilled.
- vi. PSO & PSP fails to comply with these or any other regulations, rules, guidelines, directions, or circulars issued by SBP from time to time and/or other applicable law(s).
- vii. Termination of any service and/or withdrawal of permission, for whatever reason, shall not discharge the PSO & PSP from any liability or obligation, which at the time of termination or cancellation has accrued against it, or which thereafter may accrue in respect of any act or omission prior to such termination or cancellation.

## **6. Authorization Procedure**

### **Pre-Application Engagement**

- i. Applicant may express interest and seek guidance from SBP through its focal person:  
The Director  
Payment Systems Policy & Oversight Department  
State Bank of Pakistan
- ii. SBP may conduct preliminary meetings with the applicant to understand the proposal and outline requirements. Upon satisfaction, the process shall be followed as specified in the next stage.

**In-principle approval (IPA)**

- iii. Upon receipt of complete application and subject to fulfillment of all regulatory requirements, SBP shall decide the fate of the application.
- iv. In the IPA, SBP may impose terms and conditions to be fulfilled by the applicant before applying for pilot operations approval.
- v. PSOs & PSPs are required to commence their pilot run within a maximum period of six (6) months from the grant of IPA. After the lapse of this period, the prospective PSOs & PSPs shall have to submit a fresh application for the required permission or extension, to be granted by SBP on a case to case basis.

**Pilot Operations Approval**

- vi. Subsequent to the issuance of IPA and fulfillment of conditions mentioned in the IPA including attaining operational readiness and deposit of security amount, the PSO or PSP shall apply for commencement of Pilot operations along with proof that Minimum Initial Capital Requirement has been fulfilled.
- vii. SBP may allow the PSO/PSP to run pilot operations (limited-scale real transactions) for a prescribed period, once they attain operational readiness, fulfil minimum capital and security deposit requirements and any other requirements as mentioned in IPA.
- viii. SBP may also conduct off-site evaluations/on-site inspections of the PSO/PSP at any stage of the authorization process.

**Authorization to commence Commercial Operations**

- ix. After satisfactory conclusion of pilot operations and fulfillment of all requirements, the SBP may grant the applicant final approval to the entity.

**7. Documentary Requirements**

- i. For each authorization process, PSOs & PSPs shall submit the documents as specified at [Appendix-6A](#).

## Chapter 7: Private Credit Bureau

### 1. Business Structure

- i. The applicant shall incorporate the proposed credit bureau as a public limited company under Companies Act, 2017.

### 2. Capital & Regulatory Reserve Requirements

- i. The applicant shall have a minimum paid-up capital (free of losses) of PKR 225 million (fully subscribed and deposited as paid up capital) before commencement of business and shall also meet additional capital requirement as prescribed by SBP from time to time.

### 3. Corporate Governance Requirements

#### Requirements for Sponsors

- i. No financial institution or its sponsor shareholders shall directly or indirectly own 10% or more shares of a proposed credit bureau. This limit shall be calculated by adding shareholding of financial institution and their proposed sponsor(s) shareholders.
- ii. Prospective Sponsor(s) shall contribute to the equity/capital of the proposed credit bureau from their declared net worth. Contribution out of borrowings from financial institutions shall not be acceptable.
- iii. Prospective Sponsor(s) must be persons of means and have special knowledge of matters which the company may have to deal with as a credit bureau and are not involved in the capacity of a director or shareholder with any company, business or activity which is likely to be in conflict with the business of the credit bureau.
- iv. No person shall acquire more than 10% shares of a proposed credit bureau either directly or indirectly, except with prior written approval of SBP.
- v. Foreign shareholding would be subject to compliance of SBP foreign exchange rules and regulations.

#### Board of Directors (BOD)

- i. None of the proposed directors of the applicant entity shall hold such office with any other company, business or activity which is likely to be in conflict with the business of the proposed credit bureau.
- ii. At least one-third or two members of the BoD whichever is higher, should be independent directors.
- iii. The proposed member of BOD must have:
  - a. Management/business experience of at least 5 years at senior level in an active capacity.
  - b. Minimum qualification for a person to be appointed as Director on the Board of a credit bureau is graduation. Higher education accomplished in finance may be an added qualification.

- iv. No member of Senate, National/ Provincial Assembly, or local bodies shall be appointed/ recommended for appointment as Member of Board of Directors and/or Chief Executive Officer/ Key Executive of the proposed credit bureau.

#### **Chief Executive Officer (CEO)**

- v. Must have at least 5 years of experience at senior level and possess expertise and skill set to undertake responsibilities of the position effectively and prudently.
- vi. Should have minimum qualification of graduation or equivalent in the discipline of Information Technology, Management, or Finance.
- vii. The proposed CEO shall not simultaneously serve as the Chairman of the Board of Directors of the credit bureau.

#### **Key Executives**

- viii. No Key Executive shall head more than one functional area. Furthermore, he/she shall not hold directorship in his/her personal capacity:
  - a. In a business concern which is also a client of credit bureau;
  - b. In any other financial institution.

#### **Fit & Proprietary Requirements**

- ix. The prospective sponsor(s) shall meet the “fit and proper” criteria prescribed by SBP vide Gazette Notification No. BCCPD/CBU/-01/Policy/2016/9436 dated April 15, 2016, or as amended from time to time.

### **4. Licensing Process**

#### **Application & Documents**

- i. Prospective Sponsor(s), desiring to establish a credit bureau, shall submit application to the Director, Consumer Protection Department (CPD), State Bank of Pakistan as per format given in [Appendix-7A](#) and [7B](#) along with a payment order of PKR 500,000 drawn in favor of SBP as application processing fee (non-refundable). The application should be complete in all respect except information relating to certificate of incorporation with the Securities & Exchange Commission of Pakistan (SECP).
- ii. Incomplete applications shall not be entertained by SBP.

#### **NOC/ In-principle Approval**

- iii. On receipt of the application, SBP shall conduct preliminary assessment of the application and may grant NOC for incorporation of the proposed credit bureau as a public limited company or decline the application, as deemed appropriate. The applicants who do not qualify the preliminary assessment shall be informed and will be given an opportunity of being heard.

#### **License Issuance**

- iv. After receiving NOC from SBP, sponsors shall apply to SECP for incorporation as a public limited company. Upon incorporation of the company, sponsors may apply for a license along with following documents (Certified Copies):
  - a. Certificate of Incorporation with SECP.
  - b. Certificate of Registration with Board of Investment (if applicable).

- c. Articles and Memorandum of Association.
  - d. Work System and procedure for business operations.
  - e. Evidence of Development and Implementation of Minimum Infrastructure.
- v. Where SBP is satisfied, it shall issue license with the condition that the applicant shall obtain Certificate of Commencement of Business from SBP within six months of the grant of license. In case an applicant fails to obtain Certificate of Commencement of Business, the license so granted shall stand cancelled. SBP may, however, extend the period of six months provided the sponsors approach SBP with genuine reasons, which shall be decided by SBP on merit.

#### **Commencement of Business**

- vi. After issuance of License, the applicant shall establish infrastructure necessary to carry on its operations within four months of receipt of a license and inform SBP that it is ready to commence its business. The applicant shall submit to SBP:
- a. Corporate Governance Policy duly approved by the Board including plans for internal control system and scale of authority;
  - b. Risk Management Policy duly approved by Board;
  - c. IT Infrastructure and Back-up Facility duly approved by Board;
  - d. IT Network and IT Security Policy duly approved by Board;
  - e. Business Continuity Plan and Arrangements duly approved by Board;
  - f. Details of Key IT applications required for conducting and monitoring business in an efficient manner;
  - g. Audit report on adequacy of systems, policies and IT infrastructure conducted by an Auditing firm on the panel of auditors maintained by SBP. The audit report should be an assessment of the credit bureau's IT infrastructure with respect to data security standards prescribed by SBP in credit bureaus regulations and other international standards;
  - h. Details on compliance with conditions of license and on-site assessment, if any
  - i. Certificate by Sponsors, regarding compliance with capital requirement, duly verified and signed by an auditing firm, on the panel of auditors maintained by SBP.
- vii. SBP may, if required, carry out on-site inspection to satisfy itself with regard to the adequacy of the IT system, policies and infrastructure.
- viii. SBP upon its satisfaction and completion of aforementioned requirements shall issue certificate of commencement of business. SBP may endorse a license granted under these regulations with such conditions as deemed necessary and may; from time to time, add, vary or substitute such conditions.

# Annexures

## Appendix-1A

### Feasibility Report

#### 1. Purpose & Objective of the proposed bank

- a. Clear articulation of the purpose and objectives for establishing the proposed bank in Pakistan.

#### 2. Market Analysis

- a. Overview of the domestic financial sector including, market size, growth trends, opportunities, and regulatory landscape.
- b. Analysis of market demand for financial services, demographics, customer preferences, and recent economic developments.
- c. Competitive analysis, identifying key competitors, their positioning and market share.
- d. Rationale for entering the Pakistani banking sector, including strategic intent.

#### 3. Business Model

- a. Description of the proposed business model, value proposition and strategic differentiation.
- b. Identification of target customer segments and outreach strategy.
- c. Overview of products and services to be offered.

#### 4. Operational Plan

- a. Organizational structure detailing the hierarchy, key management roles along with their responsibilities and proposed reporting lines.
- b. Description of operational processes, branch or service delivery models and support infrastructure.
- c. Detailed description of IT systems and infrastructure required to support banking operations, including core banking software, security measures, and data analytics tools.
- d. Outsourcing arrangement if any and contingency planning.

#### 5. Financial Plan

- a. Plan for raising capital to finance the establishment and growth of proposed bank, including equity investment, debt financing, etc.
- b. Financial projections of revenue, expenses, and profitability over a period of 05 years from the date of commencement, supported by detailed market analysis.
- c. Break-up of the cost structure, including initial investment, operating expenses, and overhead costs likely to incur.
- d. Allocation of fund for different business activities and for various expenses, including infrastructure setup, staffing, marketing, and technology investments.
- e. Break-even analysis with assumptions.
- f. Sensitivity and scenario analysis illustrating key risks to projections.

#### 6. Implementation Plan

- a. Timeline for key milestones and activities involved, from regulatory approval to commencement of business.
- b. Allocation of resources and responsibilities for infrastructure setup and staffing.
- c. Key performance indicators to track progress.

## **7. Risk Analysis**

- a. Framework for identifying, assessing, and mitigating various risks faced by the proposed bank, including; but not limited to, credit risk, market risk, liquidity risk, operational risk, cybersecurity risks, conduct risk etc.
- b. Business Continuity Planning and disaster recovery readiness.
- c. Overview of regulatory requirements governing the establishment and operation of banks in Pakistan.
- d. Measures taken to ensure regulatory compliance with licensing, capital adequacy, anti-money laundering/ counter financing of terrorism/ countering proliferation financing, and consumer protection policies.

## **8. Summary**

- a. Recap of the key components and findings of the business plan.

## Appendix-1B

| Document/ Information to be submitted with License Application |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                                                              | Application Cover Letter covering all information/ documentation as stipulated under Banking Companies Rules, 1963.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 2                                                              | Proof of Payment of prescribed license fee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 3                                                              | Feasibility Study and business plan addressing the component outlined in Appendix-1A.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 4                                                              | Undertaking from Sponsor/s mentioned at <a href="#">Appendix-1C</a> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 5                                                              | Detailed CVs and proforma information of the CEO and each sponsor in the light of Fit & Proper Criteria under <u>SBP's Corporate Governance Regulatory Framework, 2021</u> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 6                                                              | Indication of the amount proposed to be subscribed by each sponsor. Personal net worth of each sponsor not being lesser than the amount to be subscribed by them personally. The information shall be supported by certified copies of income tax and wealth tax statements filed during the last three years.                                                                                                                                                                                                                                                                                                                                                             |
| 7                                                              | In cases where sponsors reside in countries where the filing of wealth statements is not mandatory, a certification of personal net worth and general reputation may be provided either through two certificates issued by internationally reputed banks or through a duly certified personal net worth statement issued by a recognized audit firm or chartered accountant. This requirement shall also apply to sponsors who have returned to Pakistan within six months prior to the submission of the license application.                                                                                                                                             |
| 8                                                              | Last three years' audited balance sheets/accounts of all those concerns in which sponsor have controlling interest.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 9                                                              | For entities interested in sponsoring a bank, either individually or in collaboration with other sponsors:<br>A resolution of their respective Boards/Governing Bodies covering: <ul style="list-style-type: none"> <li>objectives of proposed investment;</li> <li>amount to be subscribed;</li> <li>nomination of directors representing the institution on the bank's Board;</li> <li>details of core business (geographies, customer/ market segments, business lines, products/ services etc.).</li> </ul>                                                                                                                                                            |
| 10                                                             | The name of the banks and financial institutions, along with account numbers and name of branches, with which sponsors have been dealing, along with the credit reports from those banks in a separate confidential envelope.                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 11                                                             | Brief description of previous experience of sponsor in banks, microfinance banks/ institutions or any other financial institution/ business                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 12                                                             | Proposed name and Memorandum and Articles of Association of the banking company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 13                                                             | Complete details of the beneficial ownership of sponsors, down to the natural persons.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 14                                                             | The foreign bank shall also submit the following: <ul style="list-style-type: none"> <li>A letter from their home country supervisors indicating permission to conduct banking business in Pakistan. Home supervisor (foreign regulator) is also required to confirm whether Pakistani banks have same access to their financial market and are treated fairly.</li> <li>Credit rating by an international credit rating agency.</li> <li>Global tier I &amp; II capital in US\$ and capital adequacy ratio.</li> <li>Ranking of bank by total assets and tier II capital in home country and globally.</li> <li>Number of domestic and international branches.</li> </ul> |

|                                               |                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                               | <ul style="list-style-type: none"> <li>Name of countries in which bank has presence as representative office, subsidiary and/or branches along with their number.</li> <li>Details of supervisory arrangements in home country indicating therein whether home supervisor has adopted Basel Capital Adequacy Framework.</li> </ul> |
| 15                                            | Any other essential allied documentation deemed essential by the applicant to demonstrate the representations made in the application pack, or required by SBP.                                                                                                                                                                    |
| <b>Additional Documents for Islamic Banks</b> |                                                                                                                                                                                                                                                                                                                                    |
| 1                                             | Brief on expertise and other facilities available with them for ensuring compliance of their banking business and operations with Shariah.                                                                                                                                                                                         |
| 2                                             | A tentative list of Shariah Board members (identified in accordance with “Fit & Proper Criteria” as prescribed in SBP’s Shariah Governance Framework) to be engaged shall be submitted. Subsequently if there is any change in the submitted list the same shall also be conveyed.                                                 |
| 3                                             | Information/ Documents related to products and services in compliance of <u>IBD Circular Letter 2 of 2013</u> , as amended from time to time.                                                                                                                                                                                      |
| 4                                             | Implementation Status in respect of requirements mentioned in <u>SBP’s Shariah Governance Framework</u> .                                                                                                                                                                                                                          |

Undertaking by the Sponsor

To be printed on stamp paper or affixed with stamp duty, if and as required under applicable provincial stamp laws.

The Director  
Banking Policy and Regulations Department  
State Bank of Pakistan

I/We [name of natural or legal person], [name of father/husband in case of natural person], of [residential address in case of natural person, registered address in case of legal person], [CNIC/NICOP number in case of Pakistani citizen natural person, nationality and passport number in case of non-Pakistani citizen natural person, country of incorporation and corporate registration number in case of legal person] (hereinafter referred to as the “Sponsor”, which term includes representative heirs, executors/administrators, legal representatives/successors and assigns), a proposed sponsor of [.....] (hereinafter referred to as the “Bank”), jointly and severally undertake to the following:

- a. Sponsor shall ensure that the bank shall meet any and all requirements and obligations of the Bank, including but not limited to ensuring ongoing compliance monitoring of the Minimum Capital Requirement, Capital Adequacy Ratio and other capital and liquidity requirements as may be applicable to the Proposed Bank.
- b. The sponsor shall ensure that no changes are made to the proposed legal, managerial, operational, and ownership structures of the bank and its wider group that may hinder effective supervision or the implementation of corrective measures by SBP at any point in time.
- c. Sponsor shall ensure that the Bank complies with all the terms and conditions of any license granted to the Bank by the State Bank of Pakistan and all other applicable legal and regulatory requirements.
- d. Sponsor undertakes and confirms that the name of the Sponsor or any person associated with the Sponsor has not been placed on the United Nations Security Council Consolidated List or any other list of banned, proscribed or blacklisted individuals or other entities maintained by the Government of Pakistan or by any foreign government.
- e. Sponsor confirms that the undertakings stated herein shall constitute perpetual, irrevocable and enforceable obligations against the Sponsor, and the Sponsor will not be relieved from these obligations or any part thereof for any reason whatsoever without the prior written consent of the State Bank of Pakistan.

IN THE WITNESS THEREOF these presents have signed the day hereinbefore written by the Sponsor.

Date:

Place:

Witness No. 1: (Signature)\_\_\_\_\_

Name:

Address:

CNIC/Passport Number:

Witness No. 2: (Signature)

Name:

Address:

CNIC/Passport Number:

## Appendix-2A

### Component in the Feasibility Study, Business and Enablement Plan

1. Landscape assessment and feasibility study involving a detailed analysis of the market (e.g. socio- economic, banking and payments, financial inclusion, technology, innovation, fintech, overall digital eco-system, regulatory scan, competition from existing conventional bank or Islamic banks and envisaged digital banks).
2. Innovative, robust and sustainable digital bank value proposition, including how it shall be leveraging the sponsors' existing businesses and/ or experience/ capabilities.
3. Target customer segments and opportunity analyses.
4. Target products and services along with customer value propositions, and a description of how these will address the specific needs of target customer segments.
5. Customer segment and product evolution over the projection period and, as a minimum over the transition phase.
6. Business operations during the pilot stage, particularly customer scope and anticipated deposit size/ business volume.
7. Any plan for leveraging BB business/ platform, available with a group banking entity or otherwise with another bank, and the benefits/ impacts thereof.
8. Detailed financial projections (bank-wide and for each of the major business line/ customer segment e.g. consumer banking, SME banking, microfinance, agriculture financing) covering a period of at least five years from the commencement of commercial operations. In case the break- even period is more than five years, the projections should cover the extended period.
9. As guidance, applicants could develop financial projections broadly using the main financial statement formats applicable in generality to commercial banks.
10. Detailed set of economic and business conditions as well as other assumptions underlying the financial projections.
11. Sensitivity analysis, including reasonable stress scenarios, stressed projections and contingency plans.
12. Investment/ financing plan for compliance with phased Minimum Capital Requirement (MCR) as per Regulatory Framework for Digital Banks and other capital and liquidity requirements as applicable.
13. Exit plan.
14. Description/ outline of enablement/ operating model domains including:
  - a. Senior management organizational structure and role competencies;
  - b. Target human resource model (both in terms of size and major roles) and evolution mainly during the transition period. This part may also include consideration of core competencies specially in product development, emerging tech (e.g. cloud, open API, eco-system building, data sciences, AI/ ML, customer experience);
  - c. Distribution strategy, channels/ customer access points and their alignment with overall business and operating strategy/ model, together with a description of products/ services/ facilities to be offered, rationale/ benefits as well as inherent risks and mitigation measures;
  - d. Envisaged branding and marketing initiatives, including go to market strategy;
  - e. In relation to own smart branches and sales & service centres, timelines and cities/ locations applicants would like to pursue such branches/ centres;
  - f. Governance, risk management, compliance and internal audit preparedness. This part may also elaborate on different credit risk models and decision engines planned to be

implemented, as prerequisites to digital scoring and lending;

- g. Outsourcing strategy encompassing among other elements: (1) major functions/ activities considered as outsourcing candidates (2) outline of group shared services and outsourcing, cost and charge out structures exhibiting adherence to arm's length principle;
  - h. Envisaged consumer and data protection measures including complaint handling mechanism;
  - i. Technology strategy including outline of agile technology architecture, use of cloud, RPA/ IA and other emerging tech and progressive plan of technology stack implementation over the transition phase;
  - j. Cloud strategy;
  - k. Open API strategy;
  - l. Cyber security/ resilience strategy;
  - m. Overview of Business Continuity Management and Disaster Recovery Planning;
  - n. Envisaged collaboration and co-creation arrangements, including preferred engagements options with fintechs, integration with e-commerce eco-system and on-line marketplace;
  - o. Expected use of regulatory sandbox and own/ others' digital labs/ innovation centres.
15. Enablement roadmap/ bank set-up plan, identifying responsibilities, dependencies and timelines.
16. How the business and enablement/ operating models covered above shall effectively contribute to the Digital Bank Objectives.

## Appendix-2B

| Documentation / Information for Digital Retail Bank License Application |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                                                                       | Feasibility study, business and enablement plan as well as five year projections addressing the components outlined in <a href="#">Appendix-2A</a> .                                                                                                                                                                                                                                                                                                                                                                             |
| 2                                                                       | Proof of Payment of prescribed license fee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 3                                                                       | Undertaking from Sponsor mentioned at <a href="#">Appendix-2D</a> .                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 4                                                                       | Name of each sponsor, sponsor director and chief executive along with attested copies of their Computerized National Identity Cards. In case of foreign sponsors, copies of their national identification cards and passports duly authenticated by the Embassy of Pakistan in that country.                                                                                                                                                                                                                                     |
| 5                                                                       | Detailed CVs and proforma information of the CEO, sponsors and sponsor directors in the light of Fit & Proper criteria under the <u>SBP's Corporate Governance Regulatory Framework, 2021</u> .                                                                                                                                                                                                                                                                                                                                  |
| 6                                                                       | Amounts proposed to be subscribed by each sponsor and sponsor director.                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 7                                                                       | Personal net worth of each sponsor and sponsor director, not being lesser than the amount to be subscribed by them personally. The information shall be supported by certified copies of income tax and wealth tax statements filed during the last three years.                                                                                                                                                                                                                                                                 |
| 8                                                                       | In cases where sponsors or sponsor directors are residents of countries where filing of wealth statement is not a requirement, two certificates of personal net worth and general reputation issued by international banks of repute or through a duly certified personal net worth statement issued by a recognized audit firm or chartered accountant. This requirement would also be applicable to sponsors who have returned to Pakistan within six months before the submission of application for license.                 |
| 9                                                                       | List of entities in which the sponsors and sponsor directors as well as their family members are interested as directors, chief executives, partners, proprietors or shareholders (holding 5% or more shares). Further, list of bankers and latest balance sheets/ accounts of such entities are also to be provided                                                                                                                                                                                                             |
| 10                                                                      | For institutions interested in sponsoring a digital bank, either individually or in collaboration with other sponsors:<br>A resolution of their respective Boards/Governing Bodies covering (1) objectives of proposed investment (2) amount to be subscribed, and (3) nomination of directors representing the institution on the digital bank's Board;<br>Details of core business (geographies, customer/ market segments, business lines, products/ services etc.);<br>Audited financial statements for the last three years |
| 11                                                                      | Last three years' Balance sheets and accounts of the companies in which sponsors, sponsor directors and their family members have interest and hold 5% or more shares.                                                                                                                                                                                                                                                                                                                                                           |
| 12                                                                      | The name of the banks and financial institutions, along with account numbers and name of branches, with which sponsors have been dealing, along with the credit reports from those banks in a separate confidential envelope.                                                                                                                                                                                                                                                                                                    |
| 13                                                                      | Previous experience of sponsors and sponsor directors in banks, microfinance banks/ institutions, electronic money institutions, payment firms, fintechs (e.g. those dealing in payments, remittances, lending), e-commerce firms, telecommunication companies, and other entities.                                                                                                                                                                                                                                              |

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14 | Following additional requirements where a foreign bank is the sponsor:<br>Letter from the home country banking regulators/ supervisors indicating permission to conduct banking business in Pakistan;<br>Credit rating by an international credit rating agency;<br>Global Tier I & II capital in US dollars and capital adequacy ratio;<br>Supervisory rating, or any such criteria/ rating, wherever applicable;<br>Name of countries in which the foreign bank has presence as subsidiary, foreign branch and/ or representative office. |
| 15 | Proposed name of the DRB and drafts of the Memorandum and Articles of Association.                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 16 | Complete details of the beneficial ownership of sponsors, down to the natural persons.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 17 | In case of proposed Islamic digital bank, constitution and members of the Sharia Board along with their brief resumes.                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 18 | Any other essential allied documentation deemed essential by the applicant to demonstrate the representations made in the application pack                                                                                                                                                                                                                                                                                                                                                                                                  |
| 19 | Any additional documents or information required by SBP, in support of the application.                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

### Documentation / Information for Digital Full Bank License Application

|   |                                                                                                                                                                                                                                                                                                                                                                                                   |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Board resolution authorizing the application for DRB's progression to DFB.                                                                                                                                                                                                                                                                                                                        |
| 2 | Proof of Feasibility study, business and enablement plan as well as five year projections.                                                                                                                                                                                                                                                                                                        |
| 3 | Report approved by the Board on DRB's readiness to operate as DFB, backed by adequate documentation including in the areas of governance, organizational structure, process and technology pertaining to business, operations, risk, compliance, consumer protection, business continuity and cyber security.                                                                                     |
| 4 | Names of new sponsors and sponsor directors, along with attested copies of their CNICs. In case of foreign nationals, copies of their national identification cards and passports, duly authenticated by the Embassy of Pakistan in the respective countries                                                                                                                                      |
| 5 | Detailed CVs and proforma information of new sponsors and sponsor directors in the light of Fit & Proper criteria under the <u>SBP's Corporate Governance Regulatory Framework, 2021</u> .                                                                                                                                                                                                        |
| 6 | Amounts proposed to be subscribed by each sponsor and sponsor director.                                                                                                                                                                                                                                                                                                                           |
| 7 | Personal net worth of new sponsors and sponsor directors, not being lesser than the amount to be subscribed by them personally. The information shall be supported by certified copies of income tax and wealth tax statements filed during the last three years.                                                                                                                                 |
| 8 | In cases where new sponsors or sponsor directors are residents of countries where filing of wealth statement is not a requirement, two certificates of personal net worth and general reputation issued by international banks of repute. This requirement would also be applicable to sponsors who have returned to Pakistan within six months before the submission of application for license. |

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9  | For any new institutions interested in sponsoring the DFB: <ul style="list-style-type: none"> <li>• A resolution of their respective Boards/Governing Bodies covering (1) objectives of proposed investment (2) amount to be subscribed, and (3) nomination of directors representing the institution on the DFB's Board;</li> <li>• Details of core business (geographies, customer/ market segments, business lines, products/ services etc.);</li> <li>• Audited financial statements for the last three years</li> </ul>                    |
| 10 | List of entities in which new sponsors and sponsor directors as well as their family members are interested as directors, chief executives, partners, proprietors or shareholders (holding 5% or more shares). Further, list of bankers and latest balance sheets/ accounts of such entities are also to be provided.                                                                                                                                                                                                                           |
| 11 | Last three years balance sheets/accounts (audited where applicable) of all those entities in which new sponsors or sponsor directors have majority stake or substantial ownership.                                                                                                                                                                                                                                                                                                                                                              |
| 12 | Names of the banks and financial institutions with which new sponsors and sponsor directors have been dealing as well as relevant account numbers and names of branches and, where relevant, credit reports from those banks, all in a separate confidential envelope                                                                                                                                                                                                                                                                           |
| 13 | The previous experience of new sponsors and sponsor directors in banks, microfinance banks/ institutions, electronic money institutions, payment firms, fintechs (e.g. those dealing in payments, remittances, lending), e-commerce firms, telecommunication companies, and other entities.                                                                                                                                                                                                                                                     |
| 14 | Following additional requirements in case of a foreign bank is the sponsor:<br>Letter from the home country banking regulators/ supervisors indicating permission to conduct banking business in Pakistan;<br>Credit rating by an international credit rating agency;<br>Global Tier I & II capital in US dollars and capital adequacy ratio;<br>Supervisory rating, or any such criteria/ rating, wherever applicable;<br>Name of countries in which the foreign bank has presence as subsidiary, foreign branch and/ or representative office |
| 15 | Complete details of the beneficial ownership of new sponsors, down to the natural persons                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 16 | Enforceable undertaking from the sponsors as per the format in <a href="#">Appendix-2D</a> .                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 17 | Proposed name of the DRB and drafts of the Memorandum and Articles of Association.                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 18 | Any other essential allied documentation deemed essential by the applicant to demonstrate the representations made in the application pack                                                                                                                                                                                                                                                                                                                                                                                                      |
| 19 | Any additional documents or information required by SBP, in support of the application.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## Appendix-2C

## Format for Guarantee during Phased Minimum Capital Requirement (MCR)

To be printed on stamp paper or affixed with stamp duty if and as required under applicable provincial stamp laws

Issue Date:

Reference Number:

Currency:

Amount of Guarantee:

Expiry Date:

Name & Address of Sponsor(s):

Name of Digital Bank:

Name & Address of Guarantor (Bank):

Name & Address of Beneficiary:

### Letter of Guarantee

1. We, the undersigned, the Guarantor, (hereinafter referred to as “we” “us” & “our”) hereby guarantee to unequivocally, irrevocably, unconditionally and immediately pay on demand any amount up to [amount] (the “Guaranteed Amount”) if the State Bank of Pakistan is of the opinion that the proposed Digital Bank at any time fails to fulfil applicable minimum capital requirements under the Regulatory Framework for Digital Banks.
2. The invalidity or unenforceability of any one or more phrases, sentences or clauses in this guarantee will not affect the validity or enforceability of the remaining provisions of this Guarantee or any part of this Guarantee.
3. No alteration, variation, supplement, deletion, replacement or waiver of this Guarantee or any of its terms, provisions or conditions will be binding unless made in writing and signed by the Guarantor and the Beneficiary.
4. The liability of the Guarantor will continue until the payment is made of every obligation towards the Beneficiary and until payment of the Guaranteed Amount or any part thereof demanded by the Beneficiary has been completed.
5. Any notice to be given to the Guarantor may be sent by mail, telephone, email or otherwise delivered to the address provided above.
6. This Guarantee is a continuing guarantee and shall remain in force notwithstanding the liquidation or dissolution of the Guarantor or the proposed Digital Bank, or the appointment of an administrator, receiver or similar office-holder of the Guarantor or the proposed Digital Bank or in relation to all or any part of its assets. The liability hereunder shall not be discharged or impaired by reason of any change (substantive or otherwise) made now or in future by the State Bank of Pakistan or any act of matter whatsoever which (but for this provision) might have discharged or impaired the Guarantor’s liability.
7. No failure to exercise and no delay on the part of the Beneficiary in exercising any right under this Guarantee and no course of dealing between the parties shall be construed or operate as a waiver of that right nor shall any single or partial exercise of any right preclude any other or further exercise of it or exercise of any other right.

## Appendix-2D

**Format of Sponsor's Undertaking**

To be printed on stamp paper or affixed with stamp duty if and as required under applicable provincial stamp laws

To  
The Director  
Banking Policy and Regulations Department  
State Bank of Pakistan

I/We [name of natural or legal person], [name of father/husband in case of natural person], of [residential address in case of natural person, registered address in case of legal person], [CNIC/NICOP number in case of Pakistani citizen natural person, nationality and passport number in case of non-Pakistani citizen natural person, country of incorporation and corporate registration number in case of legal person] (hereinafter referred to as the "Sponsor", which term includes representative heirs, executors/administrators, legal representatives/successors and assigns), a proposed sponsor of [name of digital bank] (hereinafter referred to as the "Proposed Digital Bank"), jointly and severally undertake to the following:

- a) Sponsor shall ensure that the Proposed Digital Bank shall meet any and all requirements and obligations of the Proposed Digital Bank, including but not limited to ensuring ongoing compliance monitoring of the Minimum Capital Requirement, Capital Adequacy Ratio and other capital and liquidity requirements as may be applicable to the Proposed Digital Bank.
- b) Sponsor shall ensure that in the event of an exit of the Proposed Digital Bank, the Sponsor shall personally discharge any and all outstanding non-bank deposit liabilities in accordance with instructions received from the State Bank of Pakistan.
- c) Sponsor shall ensure that the Proposed Digital Bank complies with all the terms and conditions of any license granted to the Proposed Digital Bank by the State Bank of Pakistan and all other applicable legal and regulatory requirements.
- d) Sponsors shall submit an enforceable and executable bank guarantee at the time of seeking SBP's approval for commencement of pilot operations, issued by a reputable bank covering a reasonable period as advised by SBP and in accordance with the phased MCR. The bank guarantee shall be invoked upon non-fulfilment of MCR related commitments/plan.
- e) Sponsor undertakes and confirms that the name of the Sponsor or any person associated with the Sponsor has not been placed on the United Nations Security Council Consolidated List or any other list of banned, proscribed or blacklisted individuals or other entities maintained by the Government of Pakistan or by any foreign government.
- f) Sponsor confirms that the undertakings stated herein shall constitute perpetual, irrevocable and enforceable obligations against the Sponsor, and the Sponsor will not be relieved from these obligations or any part thereof for any reason whatsoever without the prior written consent of the State Bank of Pakistan.

IN THE WITNESS THEREOF these presents have signed the day hereinbefore written by the Sponsor.

## Feasibility Report

### 1. Purpose & Objective of the proposed MFB

- a. Clear articulation of the purpose and objectives for establishing the proposed MFB in Pakistan.

### 2. Market Analysis

- a. Overview of the domestic financial sector including, market size, growth trends, opportunities, and regulatory landscape.
- b. Analysis of market demand for financial services, demographics, customer preferences, and recent economic developments.
- c. Competitive analysis, identifying key competitors, their positioning and market share.
- d. Rationale for entering the Pakistani banking sector, including strategic intent.

### 3. Business Model

- a. Description of the proposed business model, value proposition and strategic differentiation.
- b. Identification of target customer segments and outreach strategy.
- c. Overview of products and services to be offered.

### 4. Operational Plan

- a. Organizational structure detailing the hierarchy, key management roles along with their responsibilities and proposed reporting lines.
- b. Description of operational processes, branch or service delivery models and support infrastructure.
- c. Detailed description of IT systems and infrastructure required to support banking operations, including core banking software, security measures, and data analytics tools.
- d. Outsourcing arrangement if any and contingency planning.

### 5. Financial Plan

- a. Funding Strategy: Plan for raising capital to finance the establishment and growth of proposed bank, including equity investment, debt financing, etc.
- b. Financial projections of revenue, expenses, and profitability over a period of 05 years from the date of commencement, supported by detailed market analysis.
- c. Break-up of the cost structure, including initial investment, operating expenses, and overhead costs likely to incur.
- d. Budget Allocation: Allocation of fund for different business activities and for various expenses, including infrastructure setup, staffing, marketing, and technology investments.
- e. Break-even analysis with assumptions.
- f. Sensitivity and scenario analysis illustrating key risks to projections.

### 6. Implementation Plan

- a. Timeline for key milestones and activities involved, from regulatory approval to commencement of business.
- b. Allocation of resources and responsibilities for infrastructure setup and staffing.
- c. Key performance indicators to track progress.

## **7. Risk Analysis**

- a. Framework for identifying, assessing, and mitigating various risks faced by the proposed bank, including; but not limited to, credit risk, market risk, liquidity risk, operational risk, cybersecurity risks, etc.
- b. Business Continuity Planning and disaster recovery readiness.
- c. Regulatory compliance: Overview of regulatory requirements governing the establishment and operation of banks in Pakistan.
- d. Measures taken to ensure regulatory compliance with licensing, capital adequacy, anti-money laundering/ counter financing of terrorism/ countering proliferation financing, and consumer protection policies.

## **8. Summary**

- a. Recap of the key components and findings of the business plan.

## Appendix-3B

| Document/ Information for MFB License |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                                     | Application Cover Letter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 2                                     | Proof of Payment of prescribed license fee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 3                                     | Feasibility Study and business plan addressing the component outlined in Appendix-3A.                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 4                                     | Undertaking from Sponsor/s mentioned at <a href="#">Appendix-3C</a> .                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 5                                     | Name of each sponsor and CEO along with attested copies of their Computerized National Identity Cards. In case of foreign sponsors, copies of their national identification cards and passports duly authenticated by the Embassy of Pakistan in that country.                                                                                                                                                                                                                                                                 |
| 6                                     | Detailed CVs and proforma information of the CEO and sponsors in the light of Fit & Proper Criteria under <u>SBP's Prudential Regulations for MFBs</u> .                                                                                                                                                                                                                                                                                                                                                                       |
| 7                                     | Indication of the amount proposed to be subscribed by each sponsor. Personal net worth of each sponsor not being lesser than the amount to be subscribed by them personally. The information shall be supported by certified copies of income tax and wealth tax statements filed during the last three years.                                                                                                                                                                                                                 |
| 8                                     | In cases where sponsors reside in countries where the filing of wealth statements is not mandatory, a certification of personal net worth and general reputation may be provided either through two certificates issued by internationally reputed banks or through a duly certified personal net worth statement issued by a recognized audit firm or chartered accountant. This requirement shall also apply to sponsors who have returned to Pakistan within six months prior to the submission of the license application. |
| 9                                     | List of entities in which sponsors as well as their family members are interested as directors, chief executives, partners, proprietors or shareholders (holding 5% or more shares).                                                                                                                                                                                                                                                                                                                                           |
| 10                                    | For entities interested in sponsoring a MFB, either individually or in collaboration with other sponsors:<br>i. A resolution of their respective Boards/Governing Bodies covering:<br>(1) objectives of proposed investment;<br>(2) amount to be subscribed;<br>(3) nomination of directors representing the institution on the MFB's Board;<br>(4) details of core business (geographies, customer/ market segments, business lines, products/ services etc.).                                                                |
| 11                                    | Last three years' audited balance sheets/accounts of all those concerns in which sponsor have more than 5% shares specifically highlighting where they have controlling interest.                                                                                                                                                                                                                                                                                                                                              |
| 12                                    | The name of the banks and financial institutions, along with account numbers and name of branches, with which sponsors have been dealing, along with the credit reports from those banks in a separate confidential envelope.                                                                                                                                                                                                                                                                                                  |
| 13                                    | Brief description of Previous experience of sponsor in banks, microfinance banks/ institutions or any other financial institution/ business.                                                                                                                                                                                                                                                                                                                                                                                   |

|                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14                                                            | For institutional investors: the following additional documents shall be forwarded: <ul style="list-style-type: none"> <li>• Certificate of Incorporation and certified true copies of other incorporation documents;</li> <li>• Board resolution supporting the company's decision to invest in the equity shares of the proposed bank;</li> <li>• Names and addresses (business and residential) of owners, directors and their related companies, if any;</li> <li>• Audited financial statements &amp; reports of the company and Tax Clearance Certificate for the immediate past 3 years.</li> </ul> |
| 15                                                            | Proposed Memorandum and Articles of Association of the company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 16                                                            | Complete details of the beneficial ownership of sponsors, down to the natural persons.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 17                                                            | Any other essential allied documentation deemed essential by the applicant to demonstrate the representations made in the application pack                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 18                                                            | Any additional documents or information required by SBP, in support of the application.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Additional Requirements for Islamic Microfinance Banks</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 1                                                             | Detailed CV of proposed Shariah Advisor for Islamic MFB.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

Undertaking by the Sponsor

To be printed on stamp paper or affixed with stamp duty if and as required under applicable provincial stamp laws

The Director  
Banking Policy and Regulations Department  
State Bank of Pakistan

I/We [name of natural or legal person], [name of father/husband in case of natural person], of [residential address in case of natural person, registered address in case of legal person], [CNIC/NICOP number in case of Pakistani citizen natural person, nationality and passport number in case of non-Pakistani citizen natural person, country of incorporation and corporate registration number in case of legal person] (hereinafter referred to as the “Sponsor”, which term includes representative heirs, executors/administrators, legal representatives/successors and assigns), a proposed sponsor of [.....] (hereinafter referred to as the “MFB”), jointly and severally undertake to the following:

- a. Sponsor shall ensure that the MFB shall meet all requirements and obligations of the MFB, including but not limited to ensuring ongoing compliance monitoring of the Minimum Capital Requirement, Capital Adequacy Ratio and other capital and liquidity requirements as may be applicable to the proposed MFB.
- b. Sponsor shall ensure that the MFB complies with all the terms and conditions of any license granted to the MFB by the State Bank of Pakistan and all other applicable legal and regulatory requirements.
- c. The sponsor shall ensure that no changes are made to the proposed legal, managerial, operational, and ownership structures of the MFB and its wider group that may hinder effective supervision or the implementation of corrective measures by SBP.
- d. Sponsor undertakes and confirms that the name of the Sponsor or any person associated with the Sponsor has not been placed on the United Nations Security Council Consolidated List or any other list of banned, proscribed or blacklisted individuals or other entities maintained by the Government of Pakistan or by any foreign government.
- e. Sponsor confirms that the undertakings stated herein shall constitute perpetual, irrevocable and enforceable obligations against the Sponsor, and the Sponsor will not be relieved from these obligations or any part thereof for any reason whatsoever without the prior written consent of the State Bank of Pakistan.

IN THE WITNESS THEREOF these presents have signed the day hereinbefore written by the Sponsor.

Date: Witness No. 1: Name: Address:  
CNIC/Passport Number:

Date: Witness No. 2: Name: Address:  
CNIC/Passport Number

## Appendix-4A

## Application Form for Issuance of No Objection Certificate (NOC) to Exchange Company

The Director  
Exchange Policy Department  
State Bank of Pakistan  
I.I. Chundrigar Road  
**Karachi.**

Dear Sir,

We M/s. <Name of proposed exchange company>, hereby apply for issuance of NOC to our proposed Exchange Company. We understand that misreporting, concealment of facts or submission of incomplete information shall attract outright disqualification/rejection of the application. Further, we hereby certify that the undersigned is authorized to sign and pursue application on behalf of sponsor(s). As desired, please find attached the following documents:

**(List of documents to be attached with the application)**

- a) A pay order or a bank draft of PKR 2,000,000/- being amount of non-refundable application processing fee in favor of State Bank.
- b) Copy of name availability certificate from Securities & Exchange Commission of Pakistan (SECP).
- c) Draft Memorandum & Articles of Association of proposed Exchange Company.
- d) Duly completed forms and undertakings from shareholders, directors, CEO on the prescribed formats as given in Annexure-B1 & B2 of the SBP's Regulatory Framework for Exchange Companies.
- e) Complete resume along with details of experience of the proposed directors/shareholders related to foreign exchange business.
- f) Copies of CNICs (or Passport) and latest passport size colored photographs of proposed directors, shareholders and CEO.
- g) Proposed shareholding pattern of the Exchange Company.
- h) In case, the proposed director(s) and shareholder(s) are the owner(s) of other businesses, a brief about each of such business along with their audited financial statements for the last three years.
- i) Details of proposed place/location of Registered Office & Head Office.
- j) Business plan & feasibility study of the proposed Exchange Company, which, inter-alia, include the followings:
  - i) Corporate structure/Organogram of the company;
  - ii) Proposed share capital;
  - iii) Market analysis and Proposed Business plan of the company;
  - iv) Proposed network expansion plan for the first and subsequent two years;
  - v) Complete description of information systems acquired/to be acquired for functioning of proposed Exchange Company;

- vi) Detailed analysis about financial viability of the proposed company. Such analysis should include at least projected financial statements of the company for the next 3 years with underlying assumptions.
- k) Copies of income tax returns of all the proposed directors and shareholders, filed with Federal Board of Revenue (FBR) for the last three years.
- l) Bank account statements of all the proposed directors and shareholders for the last 3 years.
- m) If the applicant is a financial institution/company:
  - i) Board Resolution passed by the Board of Directors of respective financial institution/company for establishment of proposed Exchange Company;
  - ii) Audited Financial Statements of applicant financial institution/company for last three years;
  - iii) Nomination of Chief Executive Officer for the proposed Exchange Company who is not an employee of the parent financial institution/company.
- n) Any other relevant document.

Yours faithfully,

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Proposed Designation (Sponsor/CEO): \_\_\_\_\_

Name of the proposed Exchange Company: \_\_\_\_\_

Proposed Registered/Head Office Address: \_\_\_\_\_

Date: \_\_\_\_\_

Appendix-4B

Application Form for Issuance of In-principle Approval for  
Operationalization of Exchange Company

The Director  
Exchange Policy Department  
State Bank of Pakistan  
I.I. Chundrigar Road  
Karachi.

Dear Sir,  
We M/s. <Name of the Company>, have been granted NOC by State Bank for establishment of an Exchange Company vide letter No. \_\_\_\_\_ dated \_\_\_\_\_. In line with the devised procedure, we have registered our company with SECP. Moreover, we have injected the required capital in the company and have made our Board of Directors functional. We are enclosing following documents for your consideration, please:

**(List of documents to be attached with the application)**

- a) Statement of bank account(s) of Exchange Company showing injection of required capital.
- b) Relevant SECP return(s) related to appointment of directors, i.e. Company Profile, etc.
- c) Certified true copy of Certificate of Incorporation.
- d) Certified true copies of Memorandum and Article of Association.
- e) Any other relevant document(s).

Yours faithfully,

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Designation (Sponsor/CEO): \_\_\_\_\_  
Name of the Company: \_\_\_\_\_  
\_\_\_\_\_  
Registered/Head Office Address: \_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

Appendix-4C

Application Form for Issuance of Authorization to the Exchange Company

The Director  
Exchange Policy Department  
State Bank of Pakistan  
I.I. Chundrigar Road  
Karachi.

Dear Sir,

We M/s. <Name of the Company>, have been granted in-principle approval by State Bank for operationalization of our Company vide letter No. \_\_\_\_\_ dated \_\_\_\_\_. In line with the devised procedure and after completion of due formalities, we convey our readiness to operate as a Company. Further, we are enclosing the following documents for your consideration and issuance of authorization:

(List of documents to be attached with the application)

- a) Confirmation to the effect that Company has completed all the formalities related to its operationalization including but not limited to setting up Head Office and Outlets, devising policies and procedures related to Governance, Compliance, Operations, Internal Control and Audit, Human Resource, AML/CFT, IT Systems and Infrastructure, etc.
- b) Certified copy of Form-29 (Induction/Change of Officials).
- c) Any other relevant document(s).

Yours faithfully,

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Designation (CEO): \_\_\_\_\_  
Name of the Company: \_\_\_\_\_  
\_\_\_\_\_  
Registered/Head Office Address: \_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

## Appendix 5A

### Information / Documents Requirement at each stage of License

The applicant shall submit to SBP the following documents depending on the stage of approval process. However, keeping in view type of business model, information technology and security platform, ownership structure etc. the SBP may ask for additional information from the applicant EMIs as and when required.

| Licensing Stages             | Details of Documents                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Initiation Stage</b>      | Address of the EMI's Head office and Registered office                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                              | The name(s) and contact detail(s) of the person(s) in-charge of dealing with the EMI application.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                              | Certified true copy of: <ul style="list-style-type: none"> <li>a) Certificate of Incorporation with SECP.</li> <li>b) Memorandum of Association (MoA).</li> <li>c) Articles of Association (AoA).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                              | Business Plan as per the format in the <u>Regulations for EMIs</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                              | Introduction to the Company including shareholder details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                              | Details of registration and related documents (i.e. Article and memorandum) of parent/holding company, Associated Companies, Subsidiaries and other related parties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                              | List of sponsor shareholders, Directors and CEO. An up-to-date curriculum vitae and copy of CNICs/passports of Directors and CEO.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>In-principle Approval</b> | Address of the EMI's Head office and Registered office                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                              | The name(s) and contact detail(s) of the person(s) in-charge of dealing with the EMI application.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                              | Certified true copy of: <ul style="list-style-type: none"> <li>i. Certificate of Incorporation with SECP</li> <li>ii. Memorandum of Association (MoA)</li> <li>iii. Articles of Association (AoA)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                              | Evidence of payment of non-refundable application processing fee i.e. Rupees Two Hundred Thousand (PKR. 200,000/-) deposited in SBP-BSC Karachi Office.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                              | Business Plan as per the format in the <u>Regulations for EMIs</u> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                              | Description of the measures to be taken to safeguard the customers' funds in line with Regulations for EMIs. Also provide copy of the draft trust agreement with trustee(s). The trust agreement at minimum should cover the following: <ul style="list-style-type: none"> <li>• Funds safeguarding arrangements as defined in Para 16 of the <u>Regulations for EMIs</u>.</li> <li>• Investment policy/arrangements as permitted in the Regulations.</li> <li>• Terms and conditions of the trust account(s) including ownership of trust funds.</li> <li>• Roles, responsibilities and liabilities of trustee and EMI.</li> <li>• Procedure for reconciliation of e-money and funds in trust account</li> <li>• Settlement procedure, where applicable etc.</li> </ul> |

|                                      |                                                                                                                                                                                                                                                                                 |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                      | <ul style="list-style-type: none"> <li>Details of the internal control mechanisms established to comply with AML/CFT Regulations and Guidelines issued by SBP from time to time.</li> </ul>                                                                                     |
|                                      | Details about outsourcing arrangements by EMI and copy of draft agreements, where applicable.                                                                                                                                                                                   |
|                                      | List of sponsor shareholders, FPT in the format as given in Annexures in Regulations for EMIs. An up-to-date curriculum vitae and copy of CNICs/passports of all sponsor shareholders.                                                                                          |
|                                      | FPT of Directors, CEOs and Key Executives in the format as given in Annexures in Regulations for EMIs. An up-to-date curriculum vitae and copy of CNICs/passports of Directors and CEO.                                                                                         |
|                                      | Details of registration and related documents (i.e. Article and Memorandum) of parent/holding company, Associated Companies, Subsidiaries and other related parties.                                                                                                            |
|                                      | Audited financial statements of the company for the last three (3) years, where applicable.                                                                                                                                                                                     |
|                                      | Technology Roadmap with detailed infrastructure implementation plan                                                                                                                                                                                                             |
| <b>Approval for Pilot Operations</b> | Compliance status of the conditions mentioned in the In-principle Approval Letter.                                                                                                                                                                                              |
|                                      | Proof of Security Deposit in the manner as prescribed in Para 11 of the Regulations for EMIs.                                                                                                                                                                                   |
|                                      | Proof of fulfilment of initial capital requirement in line with Regulations for EMIs:<br>(i) An audited financial statement certifying the amount of capital of the EMI.<br>(ii) Duly attested Form A, 3A and 29 issued by SECP reflecting the share capital of the EMI.        |
|                                      | Final Trust Agreement with trustee(s).                                                                                                                                                                                                                                          |
|                                      | Policy on the Agent Network Management (ANM) duly approved by its Board, in case EMI intends to engage agents for providing payment services.                                                                                                                                   |
|                                      | Board approved Risk Management Framework that should contain mapping of the risks identified by the EMI including the type of risks and the procedures the applicant will put in place to assess and prevent such risks in relation to e-money businesses and payment services. |
|                                      | Board approved Dispute Resolution Mechanism. It shall also include a description of the procedures to monitor, handle and follow up on security incidents and fraud related customer complaints.                                                                                |
|                                      | Board approved Information Security Policy that shall include a detailed risk assessment of the e-money businesses, the security of the e-money and payment processes, description of IT systems and security of these systems etc.                                             |

|                       |                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                       | Business continuity arrangements that shall include the details about how the applicant will deal with significant continuity events and disruptions, such as the failure of key systems, the loss of keydata, the inaccessibility of the premises etc. and the frequency with which the applicant intends to test the business continuity and disaster recovery plans. |
| <b>Final Approval</b> | Compliance status of the conditions mentioned in pilot operation’s approval letter.<br>Proof of fulfilment of initial capital requirement<br>An audited financial statement certifying the amount of capital of the EMI.<br>Clearing and settlement arrangements by EMI.                                                                                                |

## Appendix 6A

### Information / Documents Requirement

The interested companies can approach SBP for authorization by submitting an application accompanied by the following documents:

- a. A letter on the company's original letter-head introducing the company, its brief functions and specific application area of PSO and PSP for which permission is required.  
List of documents attached with the application:
- b. Certified true copy of:
  - i. Certificate of Incorporation with SECP;
  - ii. Memorandum of Association (MOA);
  - iii. Articles of Association (AOA).
- c. Copy of receipt of PKR Two Hundred Thousand (200,000/-) deposited in SBP-BSC Karachi Office as Non-refundable Application Processing Fee.
- d. Undertaking as per Annexure B of the Rules for PSOs & PSPs .
- e. Business feasibility report (consisting of business strategy, plans, viability, financial projections, Return on Investments & Payback period)
- f. Outsourcing arrangements, if any.
- g. Proof of Net worth of beneficial owner(s) and sponsor(s) including tax returns and bank statements.
- h. Details of beneficial owner(s), sponsor(s) and shareholder(s) (holding 10% or more shares) in the format in the Rules for PSOs & PSPs.
- i. Details of list of Associated Companies, Subsidiaries and other related parties of the prospective PSO/PSP.
- j. "Fit and Proper Test" of their Directors, CEOs and Key Executives in the format as given in the in the Rules for PSOs & PSPs.
- k. Audited financial statements of the company for the last three (3) years where applicable.
- l. Any other relevant document (s).

**Application Form for Establishment of Credit Bureau  
(on Company’s Letterhead)**

Date of Application-----

The Director  
Consumer Protection Department  
State Bank of Pakistan  
I.I. Chundrigar Road  
Karachi, Pakistan

Dear Sir,

**PERMISSION TO ESTABLISH A CREDIT BUREAU**

We hereby apply for a license to commence business of credit bureau in Pakistan in terms of Section 4 of the Credit Bureaus Act, 2015. We furnish herewith information required by the State Bank of Pakistan in Form ‘A’ to the Annexure-7A. We understand that misreporting, concealment or incomplete information shall attract outright disqualification/rejection of application. It is certified that all the sponsors mentioned in the Form ‘A’ have authorized the undersigned to sign and pursue application on their behalf.

Yours faithfully,

**Signature of Applicant:** -----  
**Name of the Applicant:** -----  
**Designation:** -----  
**Address:** -----  
-----

**FORM 'A' TO Appendix-7A****Application to be Submitted by Sponsors / Directors  
as per Following Format**

1. Name of the Credit Bureau: \_\_\_\_\_
2. Website (URL): \_\_\_\_\_
3. Contact person's name, address, telephone number, fax number(s) and email:  
\_\_\_\_\_  
\_\_\_\_\_
4. Address of Head Office: \_\_\_\_\_
5. Date of Incorporation (to be provided after issuance of NOC by SBP) \_\_\_\_\_
6. National Tax Number: \_\_\_\_\_
7. Authorized Capital of the bureau as on the date of application: Rs. \_\_\_\_\_
8. Paid-up capital of the bureau as on the date of application: Rs. \_\_\_\_\_
9. Name of the Chief Executive Officer, qualification, experience, age.
10. Has any of the Sponsor Directors or their spouses been associated with any illegal activity?  
Yes/ No  
(If yes please provide details)
11. (a) Has any of the Sponsor Directors or their spouses or their firms failed to meet his/her obligations to banks and other financial institutions or have been convicted of fraud.  
Yes/ No  
(If yes please provide details)
- (b) Has any of the Sponsor Directors or their spouses or their firms been adjudicated as insolvent?  
Yes/ No  
(If yes, please provide details)
- (c) Has any of the Sponsor Directors or their spouses convicted of any offence involving fraud, breach of trust or moral turpitude?  
Yes/ No  
(If yes, please provide details)
- (d) Is any of the Sponsor Directors or their spouses or their firms hold such office with any other company business or activity which is or likely to be in conflict with the business of the Credit Bureau? (Please see Section 5 (1) (d) of the Credit Bureaus Act, 2015 for detail)  
Yes/ No  
(If yes, please provide details)
12. Has any of the Sponsor Directors or their spouses or firms defaulted in payment of taxes and liabilities towards other Government Agencies?  
Yes/No  
(If yes, please provide details)
13. Has any of the Sponsor Directors and their spouses been associated as Director or Chief Executive with any corporate body, whose corporate and tax record (including customs duties, central excise and sales tax) has been unsatisfactory?  
Yes/No  
If yes, please provide following details of the same:

| <b>Names of Corporate Bodies with which Sponsor Directors and their spouses have been associated</b> | <b>NTN of the corporate bodies</b> | <b>Names of banks and other financial institutions along with the names of branches with which corporate bodies are/ have been dealings</b> | <b>Account Numbers</b> | <b>Dividend declared in the preceding three years</b> |
|------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------------------------------------------|
| <b>A</b>                                                                                             | <b>B</b>                           | <b>C</b>                                                                                                                                    | <b>D</b>               | <b>E</b>                                              |
|                                                                                                      |                                    |                                                                                                                                             |                        |                                                       |

14. Is any of the Sponsor Directors is a Director of a bank or financial institution?

Yes/No

(If yes, please provide names of such institutions)

15. Please indicate expertise and other facilities available for running a credit bureau.

16. Please attach a certified copy of following documents with the application:

- a. Memorandum of Associations.
- b. Article of Association.
- c. Certificate of Incorporation with SECP (to be provided after issuance of NOC by SBP).
- d. Copy of Balance Sheet and Profit and Loss Accounts, if available.
- e. Curriculum Vitae of the chief executive and every director of the credit bureau.
- f. Copies of tax returns and bank statements of the chief executive/ directors for the last three years.
- g. List and description of other credit reporting agencies (outside Pakistan) which are connected to or associated with the credit bureau.
- h. Business feasibility report (consisting of business strategy, short & long term business plans, viability, financial projections for at least 3 years, etc.)
- i. Any other relevant document (s).
- j. Pay order/bank draft for Rs. 500,000/- in favour of State Bank of Pakistan for nonrefundable processing fee.

17. Details of existing/proposed infrastructure including the technology, security, facilities for hosting the data centre/hard wares.

18. Copy of Data Loading Module Manual, Source Quality Control Manual, Security Module Manual, User Manual, Complaints handling mechanism, etc.

19. Details of outsourcing arrangements made/to be made.

20. Detail of associated/subsidiary companies.

21. FPT details of the Directors / Sponsors / Chief Executive Officer of the bureau as per Annexure II, III and IV of Credit Bureaus Regulations.

Name(s) & Signature(s) of the applicant: \_\_\_\_\_

Date: \_\_\_\_\_

## Appendix-7B

|     |                                                                                                                                                                                                                                                           |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | Proposed Memorandum and Articles of Associations of Company.                                                                                                                                                                                              |
| 2.  | Copy of Balance Sheet and Profit and Loss Accounts, if available.                                                                                                                                                                                         |
| 3.  | Name of each sponsor, sponsor director and chief executive along with attested copies of their Computerized National Identity Cards. In case of foreign sponsors, copies of their passports duly authenticated by the Embassy of Pakistan in that county. |
| 4.  | Curriculum Vitae of the CEO, sponsors and sponsor directors.                                                                                                                                                                                              |
| 5.  | FPT details of the Chief Executive Officer/ Sponsors/ Sponsor Directors of the bureau as per Annexure II, III and IV of <u>Credit Bureaus Regulations</u> .                                                                                               |
| 6.  | Personal net worth of each sponsor director and CEO, duly supported with the certified copies of income tax and wealth tax statements, filed during the last three years.                                                                                 |
| 7.  | In cases where sponsors or sponsor directors are residents of countries where filing of wealth statement is not a requirement, a certificate of personal net worth and general reputation issued by international banks of repute.                        |
| 8.  | Indication of the amount proposed to be subscribed by each sponsor director separately to consider their interest in the bureau.                                                                                                                          |
| 9.  | Copies of bank statements of the chief executive/ Sponsors/Sponsor Directors for the last three years.                                                                                                                                                    |
| 10. | Detail of associated/subsidiary companies.                                                                                                                                                                                                                |
| 11. | List and description of other credit reporting agencies (outside Pakistan) which are connected to or associated with the credit bureau.                                                                                                                   |
| 12. | Business feasibility report (consisting of business strategy, short & long term business plans, viability, financial projections for at least 3 years, etc.)                                                                                              |
| 13. | Details of existing/proposed infrastructure including the technology, security, facilities for hosting the data centre/hard wares                                                                                                                         |
| 14. | Copy of Data Loading Module Manual, Source Quality Control Manual, Security Module Manual, User Manual, Complaints handling mechanism, etc.                                                                                                               |
| 15. | Details of outsourcing arrangements made/to be made.                                                                                                                                                                                                      |
| 16. | Brief on expertise and other facilities available for running a Credit Bureau.                                                                                                                                                                            |
| 17. | Complete details of the beneficial ownership of sponsors, down to the natural persons.                                                                                                                                                                    |
| 18. | Any additional supporting documentation, considered essential by the applicant, to substantiate the claims outlined in the application.                                                                                                                   |