

IRAF: QUESTIONNAIRE FOR SELF-ASSESSMENT

Annexure 3

QUESTIONNAIRE ON PRUDENTIAL REGULATIONS FOR CONSUMER FINANCING

S #	Particulars	Compliant		Comments
		Yes	No	
PRE-OPERATIONS REQUIREMENTS				
1.	Did the bank/DFI set up a separate Risk Management Unit for consumer financing? ¹			
2.	Did the bank/DFI staff the unit with personnel having sufficient expertise & experience in the field of consumer finance/business?			
3.	Did the bank/DFI prepare a comprehensive consumer credit policy duly approved by the Board of Directors (in case of foreign banks, by Country Head and Executive/Management Committee)? ²			
4.	Did the policy cover loan administration including documentation, disbursement & appropriate monitoring mechanism?			
5.	Did the policy clearly specify the functions, responsibilities and powers/authorities related to approval/sanctioning of consumer finance facilities?			
6.	Did the bank/DFI put in place MIS for consumer finance, which caters to all needs of consumer finance portfolio? ³			
7.	Does the system have enough flexibility to generate necessary information/reports used by the management for monitoring of the exposure in the area?			
8.	Does the MIS have the capacity to generate the following periodical reports: <ul style="list-style-type: none"> • Delinquency reports (for 30, 60, 90, 180 & 360 days and above) on monthly basis • Reports interrelating delinquencies with various types of customers or various attributes of the customers • Quarterly product-wise profit & loss accounts duly adjusted with the provisions on account of classified loans • Are these profit and loss account statements placed before the Board of Directors (in case of branches of foreign banks a committee comprising of CEO / Country Manager, CFO and Head of Consumer Business) in the immediate next Board Meeting 			

¹ If answer is No then please skip Question 2

² If answer is No then please skip Question 4

³ If answer is No then please skip Questions 7-8

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9.	Did the bank/DFI develop comprehensive recovery procedures with triggers for adopting pre-planned enforcement/recovery measures for delinquent consumer loans?			
10.	Did the bank/DFI become a member of at least one Consumer Credit Information Bureau?			
11.	Did the bank/DFI impart training on an ongoing basis to the staff for enhancing the capabilities regarding consumer finance?			
12.	Did the bank/DFI prepare a standardized set of borrowing & recourse documents (duly cleared by their legal counsels) for each type of consumer finance?			
OPERATIONAL REQUIREMENTS				
13.	Did the bank/DFI develop a risk management system for managing risks inherent in consumer financing? ⁴			
14.	Does the system help towards, identification of the sources of repayment, information about past dealings with the bank/DFI, calculation of net worth and information obtained from a Consumer Credit Information Bureau?			
15.	Did the bank/DFI obtain a written declaration from the borrowers divulging details of facilities already obtained from other financial institutions?			
16.	Did the bank/DFI ensure that the total exposure in relation to repayment capacity of the borrower does not exceed reasonable limits as laid down in the approved policies of the bank/DFI?			
17.	Did the bank/DFI obtain credit report from Consumer Credit Information Bureau and was the report given due weight while making the credit decision?			
18.	Does the internal audit and control function of the bank/DFI, have the capacity to undertake an objective review of the consumer finance portfolio from time to time to assess various risks and possible weaknesses?			
19.	Does the internal audit assess the adequacy of internal controls and ensure that required policies & procedures are developed and practiced?			
20.	Does the internal audit comment on the steps taken by the management to rectify the weaknesses pointed out in their previous reports for reducing risks?			
21.	Did the bank/DFI ensure that its accounting & computer system is equipped enough to avoid charging of mark-up on mark-up? ⁵			

⁴ If answer is No then please skip Question 14

⁵ If answer is No then please skip Question 22

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22.	Does the system ensure that mark-up charged on outstanding amount is kept separate from the principal?			
23.	Does the bank/DFI ensure that any repayment made by the borrower is accounted for before applying mark-up on the outstanding amount?			
DISCLOSURE/ETHICS				
24.	Did the bank/DFI clearly disclose, all the important terms, conditions, fees, charges and penalties, which include Annualized Percentage Rate, pre-payment penalties and the conditions under which they apply?			
MINIMUM REQUIREMENTS FOR CONSUMER FINANCING				
FACILITIES TO RELATED PERSONS				
25.	Did the Bank/DFI provide consumer finance facilities to its directors, major shareholders, employees and their family members on normal terms & conditions applicable for other customers?			
LIMIT ON EXPOSURE AGAINST TOTAL CONSUMER FINANCING				
26.	Did the Bank/DFI adhere to the limits prescribed for the aggregate exposure under all consumer-financing facilities?			
TOTAL FINANCING FACILITIES COMMENSURATE WITH THE INCOME				
27.	Did the Bank/DFI ensure that the total installments of the loans extended are commensurate with monthly income and repayment capacity of the borrower?			
28.	Does the Bank/DFI have an effective system to evaluate the credit worthiness of borrowers?			
GENERAL RESERVE AGAINST CONSUMER FINANCE				
29.	Did the Bank/DFI maintain a general reserve equivalent, respectively, to 1.5 % and 5% of the fully secured and unsecured consumer finance portfolio?			
BAR ON TRANSFER OF FACILITIES FROM ONE CATEGORY TO ANOTHER TO AVOID CLASSIFICATION				
30.	Did the Bank/DFI abstain from transferring any loan or facility to be classified, from one category of consumer finance to another, in order to avoid classification?			

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MARGIN REQUIREMENTS			
31.	Did the Bank/DFI adhere to the margin requirements as prescribed by State Bank of Pakistan?		
REGULATIONS FOR CREDIT CARDS SAFETY MEASURES			
32.	Did the Bank/DFI take appropriate measures to ensure that cardholders receive the cards, personally or by mail?		
33.	Did the Bank/DFI advise the cardholders to keep the card in safe custody and the PIN secret in order to avoid frauds?		
STATEMENT OF ACCOUNT			
34.	Did the Bank/DFI provide the credit card holders the statement of account on monthly basis?		
INSURANCE			
35.	Did the Bank/DFI take insurance cover against wrongly charged amounts, frauds and other such matters?		
EXCESS CHARGING			
36.	Did the Bank/DFI put in place a systematic process which takes into account all partial payments made by cardholders before charging service fee or mark-up on the outstanding or billed amount?		
IMPOSITION OF FINE			
37.	Did the Bank/DFI ensure explicit display of the 'Due date for payment' in the monthly accounts statement?		
38.	Did the Bank/DFI clearly mention in the agreement the conditions for stipulated date?		
MAXIMUM CREDIT LIMIT			
39.	Did the Bank/DFI secure itself appropriately before providing a limit in excess Rs 500,000/-?		
40.	Did the Bank/DFI keep credit limit to credit card holders up to a maximum of PKR 2.0 million?		

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	CLASSIFICATION AND PROVISIONING		
41.	Did the Bank/DFI adhere to the guidelines provided by SBP for classification and provisioning of credit card advances?		
	REGULATIONS FOR AUTO LOANS		
42.	Did the Bank/DFI abstain from extending Auto Loans for the purpose of acquiring commercial vehicles?		
	TENURE OF AUTO LOANS		
43.	Did the Bank/DFI abstain from providing auto loans with a tenure exceeding seven years?		
	DOWN PAYMENT		
44.	Did the Bank/DFI abstain from allowing a down payment for auto loans not less than 10% of the value of vehicle?		
	SECURITY ARRANGEMENT		
45.	Did the Bank/DFI properly secure the auto finance through hypothecation of vehicles in addition to other security arrangements?		
46.	Did the Bank/DFI make payments direct to the manufacturer/authorized dealer against the sale orders upon delivery of the vehicle?		
	INSURANCE		
47.	Did the Bank/DFI properly insure the vehicle throughout the tenure of the loan?		
	REPOSSESSION		
48.	Did the Bank/DFI explicitly state in the loan agreement the clause of repossession, which manifests specifically the default period and the timing and mechanism of repossession?		
49.	Did the Bank/DFI provide the schedule of charges to the customers wherein the maximum amount of charges for repossession is explicitly displayed?		
50.	Did the Bank/DFI develop for repossession of the vehicles an appropriate procedure, which is in harmony with the law?		

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SCHEDULE OF REPAYMENT				
51.	Did the Bank/DFI provide a detailed repayment schedule to the borrower at the outset?			
52.	Did the Bank/DFI provide the borrower upon request a revised repayment schedule free of cost?			
53.	Did the Bank/DFI provide to the borrower the revised schedule of payments not later than 15 days of the alterations, if made, in lieu of: Late payments Prepayments Change in the installment amount or period			
FINANCING OF USED VEHICLES				
54.	Did the Bank/DFI prepare uniform guidelines for determining the value of the used vehicles in case it desires to finance used vehicles?			
55.	Did the Bank/DFI abstain from financing cars older than five years?			
AUTHORIZED DEALERS				
56.	Did the Bank/DFI include a sizable number of auto dealers in their panel of authorized dealers in order to obviate the chance of collusion or other unethical practices?			
CLASSIFICATION OF AUTO LOANS				
57.	Did the Bank/DFI adhere to SBP guidelines for classification of auto loans?			
REGULATIONS FOR HOUSING FINANCE				
MAXIMUM PER PARTY LIMIT				
58.	Did the Bank/DFI adhere to the maximum per party limit of Rs 10 million for housing finance set by SBP?			
DEBT-EQUITY RATIO				
59.	Did the Bank/DFI adhere to the maximum debt-equity ratio of 85:15 while providing housing finance facility?			
MAXIMUM EXPOSURE				
60.	Did the Bank/DFI ensure limiting their total exposure under house financing, at all times, to a maximum 10% of their net advances?			

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TENURE			
61.	Did the Bank/DFI abstain from extending mortgage loans for housing of a tenure exceeding twenty years?		
62.	Does the Bank/DFI, as a normal practice, make adequate asset liability matching before extending housing finance?		
MORTGAGE			
63.	Does the Bank/DFI get the financed house mortgaged in its favor (either as equitable or registered mortgage)?		
PROFESSIONAL EXPERTISE/ TRAINING			
64.	Did the Bank/DFI either engage professional expertise or arrange sufficient training of its officials for: Proper evaluation of the property Assessment of the title documents		
MARKET CONDITIONS			
65.	Did the Bank/DFI management put in place a mechanism to monitor conditions in the real estate market (or other product markets) at least on quarterly basis in order to align its policies to the market conditions?		
INTEREST RATE RISK AND MATURITY MISMATCH			
66.	Did the Bank/DFI develop Floating Rate Products for housing finance to alleviate interest rate risk?		
67.	Did the Bank/DFI develop an in-house system to stress test its housing portfolio against adverse movements in interest rates and maturity mismatches?		
CLASSIFICATION			
68.	Did the Bank/DFI make classification of its infected housing finance portfolio in accordance with the SBP guidelines?		
REGULATIONS FOR PERSONAL LOANS INCLUDING LOANS FOR THE PURCHASE OF CONSUMER DURABLES			
EXPOSURE LIMIT			
69.	Did the Bank/DFI adhere to the maximum per person limit of Rs 500,000/- for clean personal loans set by SBP?		
70.	Did the Bank/DFI acquire appropriate security before extending personal loans above Rs 500,000/-?		

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71.	Did the Bank/DFI abstain from extending secured personal loans above Rs. 1,000,000/-?			
72.	Did the Bank/DFI adhere to limits prescribed by CDNS / Federal Government /State Bank of Pakistan for loans extended against the instruments of the Central Directorate of National Saving (CDNS)?			
HYPOTHECATION				
73.	Did the Bank/DFI get the durable goods or items hypothecated with itself in case of personal loans extended for purchase of consumer durables?			
MAXIMUM TENURE				
74.	Did the Bank/DFI abstain from extending personal loans with a tenure exceeding 5 years?			
CLEAN-UP OF THE FACILITY				
75.	Did the Bank/DFI appropriately classify all Running Finance/Revolving Finance sort of personal loans, which were not cleaned up by the borrower with at least 15% of the amount, utilized during the year?			
76.	Did the Bank/DFI classify and provide for the infected portfolio of its personal loans in accordance with the guidelines of SBP?			

Chairman
Board of Directors