

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

**Annexure 4**

## **QUESTIONNAIRE ON PRUDENTIAL REGULATIONS FOR MICRO-FINANCE INSTITUTIONS**

S #	Particulars	Compliant		Comments
		Yes	No	
	<b>MINIMUM CAPITAL REQUIREMENTS</b>			
1.	Did the MFB/MFI fulfill the minimum capital requirement of MFIs Ordinance 2001 before commencing business?			
2.	Did the MFB/MFI maintain equity equivalent to at least 15% of its risk-weighted assets?			
	<b>EXPOSURE AGAINST CONTINGENT LIABILITIES</b>			
3.	Did the MFB/MFI limit its contingent liabilities to a maximum of three times of its equity for the first three years of operations and afterwards to a maximum of 5 times its equity?			
	<b>MAINTENANCE OF CASH RESERVE &amp; LIQUIDITY</b>			
4.	Did the MFB/MFI maintain, in a current account opened with the State Bank or its agent, cash reserve equivalent to not less than 5% of its time and demand Liabilities?			
5.	Did the MFB/MFI maintain liquidity reserves with SBP in the form of liquid assets i.e. cash, gold and unencumbered approved securities equivalent to at least 10% of its time and demand liabilities?			
	<b>STATUTORY RESERVE</b>			
6.	Did the MFB/MFI create a reserve fund and maintain in it: a) A sum equal to at least 20% of its annual profits after taxes till the reserve fund equals its paid-up capital. b) A sum not less than 5% of its annual profit after taxes once the condition in (a) is fulfilled?			
	<b>DEPOSITORS' PROTECTION FUND</b>			
7.	Did the MFB/MFI establish the Depositors' Protection Fund and maintain a sum equivalent to at least 5% of its annual profit after taxes in it?			

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<b>RESTRICTION ON CERTAIN TYPES OF TRANSACTIONS</b>				
8.	Did the MFB/MFI abstain from: <ul style="list-style-type: none"> <li>a) Allowing any facility for speculative purposes</li> <li>b) Allowing financing facilities and other Micro finance Services to any of its sponsors, directors or employees including their spouses, parents, and children</li> <li>c) Entering, without SBP approval, into leasing, renting and sale / purchase of any kind with its directors, officers, employees or persons who either individually or in concert with their family members own 5% or more of the MFB's/MFI's equity</li> <li>d) Holding, dealing or trading in real estate except for office usage</li> </ul>			
<b>MAXIMUM LOAN SIZE</b>				
9.	Did the MFB/MFI abstain from extending loans to a single borrower in excess of Rs.100, 000/-?			
10.	Did the MFI/MFB extend loans equivalent to the maximum limit only to those borrowers who have an established track record of satisfactory repayment?			
11.	Did the MFI/MFB formulate a credit policy which covers, extensively, issues pertaining to: <ul style="list-style-type: none"> <li>a) Maximum lending limits</li> <li>b) Rate to be charged</li> <li>c) Repayment period</li> <li>d) Collaterals</li> </ul>			
<b>MAXIMUM EXPOSURE OF A BORROWER FROM MFBs /MFIs /OTHER FINANCIAL INSTITUTIONS / NGOs</b>				
12.	Did the MFI/MFB ensure to limit total exposure of its clients from all banks/MFIs/MFBs/Other Financial Institutions/NGOs to Rs.100,000/- in aggregate?			
13.	Did the MFI/MFB obtain a certificate from the clients describing their borrowings from banks and other MFIs/ MFBs/ NGOs?			
<b>CLASSIFICATION OF ASSETS AND PROVISIONING REQUIREMENTS</b>				
<b>LOANS &amp; ADVANCES</b>				
14.	Does the MFI/MFB maintain an interest suspense account wherein all unrealized interest/profit/mark-up/service charges on NPLs are credited?			
15.	Does the MFI/MFB classify the NPLs according to the criteria prescribed by SBP?			

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<b>PROVISIONING REQUIREMENTS</b>			
16.	Did the MFB/MFI maintain a General Provision equivalent to 2% of the net outstanding advances (advances net of specific provisions)?		
17.	Did the MFB/MFI create specific provisions against NPLs according to the criteria prescribed by SBP?		
<b>INVESTMENTS AND OTHER ASSETS</b>			
18.	Did the MFB/MFI value its investments on mark-to-market basis or make subjective evaluation of investments and other assets to determine their quality, category of classification and provisions required?		
<b>RESCHEDULING / RESTRUCTURING OF LOAN</b>			
19.	Does the MFB/MFI follow the policy approved by their BOD while rescheduling or restructuring the NPLs?		
20.	Does the MFB/MFI keep the rescheduled/restructured loans classified unless they are serviced regularly for 6 months?		
<b>WRITING-OFF NON-PERFORMING LOANS (NPLs)</b>			
21.	Did the MFI/MFB write off all its NPLs one year after the default in performance occurred?		
<b>PRICING OF MF PRODUCTS AND SERVICES</b>			
22.	Did the MFB/MFI devise and implement appropriate pricing policies to ensure access of affordable financial services to the poor without hampering the operational and financial self-sustainability of the MFIs?		
<b>INVESTMENT IN SHARES OF ANY CORPORATE BODY</b>			
23.	Did the MFB/MFI limit its investment in shares of companies to a maximum 15% of paid-up share capital of the company or 15% of its own equity free of losses (whichever is less)?		
24.	Did the MFB/MFI obtain prior permission from SBP for making an investment in excess of the 15% limit?		
<b>PREVENTION OF CRIMINAL USE OF MFB/MFI CHANNELS FOR THE PURPOSES OF MONEY LAUNDERING AND OTHER UNLAWFUL TRADE</b>			
25.	Did the MFI/MFB develop and implement effective procedures and methods to determine the true identity of its clients while considering proposals for extending Micro finance facilities?		

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<b>REMOVAL OF RECORDS</b>			
26.	Did the MFB/MFI shift from the specified area any of its records and documents either physically or electronically after the prior permission in writing of the State Bank of Pakistan?		
<b>MANAGEMENT</b>			
27.	Does no member of the Board of Directors of the MFI/MFB holding 5% or more of the paid-up capital of the MFI/MFB either individually or in concert with family members or concerns/companies in which he/she has the controlling interest, is appointed in the MFI/MFB in any capacity except as the Chief Executive?		
28.	Does the MFI/MFB have executive directors (paid directors) not more than 25% of the total directors?		
29.	Does the MFI/MFB abstain from making any payment to executive directors except for traveling and daily allowances for attending meetings of the Board of Directors or its Committees?		
<b>PLACES OF BUSINESS</b>			
30.	Did the MFB/MFI seek prior permission in writing of the State Bank before opening new places of business?		
<b>UNDERTAKING OF CASH PAYMENTS OUTSIDE THE MFB's / MFI's AUTHORIZED PLACE OF BUSINESS</b>			
31.	Did the MFI/MFB abstain from undertaking any business of cash payments at any place other than the authorized place of business?		
<b>RECONCILIATION OF INTER-BRANCH ACCOUNTS AND SETTLEMENT OF SUSPENSE ACCOUNT ENTRIES</b>			
32.	Did the MFI/MFB reconcile/clear and take to the proper head of account all entries outstanding in the Inter-Branch Accounts or the Suspense Account within a maximum period of 30 days from the date of entry?		
<b>AUDIT AND SUBMISSION OF ACCOUNTS</b>			
33.	Did the MFB/MFI get its books of accounts audited in line with the provisions of section 16 of Micro Finance Institutions Ordinance, 2001 and submit three copies of the annual audited accounts along with the auditors' opinion to the State Bank within three months of the close of the accounting year?		
<b>INTERNAL AUDIT</b>			
34.	Does the MFB/MFI have an Internal Audit Department manned by professionals or persons having prior audit experience in banks or Financial Institutions?		

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<b>OPERATIONAL POLICIES</b>			
35.	<p>Did the Board of Directors of the MFB/MFI formulate and approve operational policies for the following areas and ensure their submission to State Bank within 6 months of commencement of business:</p> <ul style="list-style-type: none"> <li>▪ Micro-credit</li> <li>▪ Investments</li> <li>▪ Internal audit</li> <li>▪ Human resource</li> <li>▪ Rescheduling/restructuring/write-off of loans/advances</li> </ul>		
<b>RESTRICTION ON ELECTION AND APPOINTMENT OF DIRECTORS</b>			
36.	<p>Did the MFI/MFB abstain from having a person being elected or appointed as a director, an officer or an employee who;</p> <ul style="list-style-type: none"> <li>a) Has been convicted in an offence involving frauds, breach of trust or moral turpitude</li> <li>b) Has been adjudged as insolvent or has suspended payment of his debts or has compounded with his creditors</li> <li>c) Is a defaulter of any bank or financial institution</li> <li>d) Has been debarred from holding such office under Companies Ordinance 1984 or Banking Companies Ordinance 1962</li> <li>e) Has been declared to be lacking fiduciary behavior by the Court under section 217 of Companies Ordinance 1984 at any time during preceding five years</li> <li>f) Is an office bearer of a political party or a member of Senate, National and Provincial Assembly</li> </ul>		
<b>SUBMISSION OF STATISTICAL RETURNS</b>			
37.	<p>Did the MFB/MFI submit in the prescribed format the Bi-Weekly Statement of Affairs and Quarterly Statement of Condition to the State Bank?</p>		

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Chairman  
Board of Directors