

IRAF: QUESTIONNAIRE FOR SELF-ASSESSMENT

Annexure 2

QUESTIONNAIRE ON PRUDENTIAL REGULATIONS FOR SMALL & MEDIUM ENTERPRISES FINANCING

S #	Particulars	Compliant		Comments
		Yes	No	
SOURCE AND CAPACITY OF REPAYMENT AND CASH FLOW BACKED LENDING				
1.	Did the Bank/DFI devise a system to identify the sources of repayment and assess the repayment capacity of the borrowers using the assets conversion cycle and cash flow analysis?			
2.	Did the Bank/DFI devise a mechanism to assess the prevalent conditions and future prospects of the sector or industry it is lending to?			
3.	Did the Bank/DFI identify the key drivers, risks and risk mitigants of the Borrower's Business?			
PERSONAL GUARANTEES				
4.	Did the Bank/DFI obtain personal guarantee of the owners (directors other than nominee directors for limited companies) of the SME before extending any facility?			
LIMIT ON CLEAN FACILITIES				
5.	Did the Bank/DFI limit its clean exposure on an SME to a maximum of Rs. 3 million with funded facilities not exceeding Rs. 2 million?			
6.	Did the Bank / DFI before taking clean exposure obtain a declaration from the SME stating its abstinence from availing/having availed clean facilities from any other bank/DFI?			
SECURITIES				
7.	Did the Bank/DFI secure appropriately all facilities extended to SMEs over and above the limit for clean facilities?			
MARGIN REQUIREMENTS				
8.	Did the Bank/DFI adhere to the margin requirements as prescribed by State Bank of Pakistan?			
PER PARTY EXPOSURE LIMIT				
9.	Did the Bank/DFI limit its exposure on a single SME to a maximum of Rs 75 million?			
10.	Did the Bank/DFI ensure that the aggregate exposure availed by a single SME from all the financial institutions remains limited to Rs 150 million (including leased assets) or otherwise to Rs 100 million?			
AGGREGATE EXPOSURE OF A BANK/DFI ON SME SECTOR				
11.	Did the Bank/DFI adhere to the limits prescribed by the SBP for aggregate exposure of a Bank/DFI on SME sector?			

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MINIMUM CONDITIONS FOR TAKING EXPOSURE				
12.	Did the Bank/DFI obtain the credit report relating to the borrower and his group from the Credit Information Bureau (CIB) of SBP and give it due weight-age before extending an exposure to an SME above Rs.500, 000/-?			
13.	Did the Bank/DFI obtain from the SME Associations information regarding the character and credit worthiness of the prospective SME borrower?			
14.	Did the Bank/DFI obtain a copy of financial statements duly audited by a practicing Chartered Accountant of every SME which: a) Is a limited company b) Acquirers an exposure in excess of Rs 10 million c) Holds an exposure that is not fully secured by liquid assets			
15.	Did the Bank/DFI obtain the 'Borrower's Basic Fact Sheet' in the approved format of the State Bank of Pakistan from the SME before providing any facility?			
PROPER UTILIZATION OF LOAN				
16.	Did the Bank/DFI develop and implement an appropriate system for monitoring the utilization of loans?			
RESTRICTION ON FACILITIES TO RELATED PARTIES				
17.	Did the Bank/DFI abstain from taking an exposure wherein any of the following, individually or collectively, carries an interest: a) Directors of the Bank/DFI b) Shareholders holding 5% or more of the share capital of the Bank/DFI c) Chief Executive of the Bank /DFI d) An employee of the Bank/DFI e) Any family member of the persons mentioned above?			
CLASSIFICATION AND PROVISIONING FOR ASSETS				
LOANS / ADVANCES				
18.	Did the Bank/DFI adhere to the guidelines prescribed by SBP for provisioning and classification of its SME asset portfolio?			
19.	Did the Bank/DFI make subjective evaluation of its performing and non-performing SME credit portfolio besides applying the time-based criteria for classification?			
20.	Did the Bank/DFI abstain from changing the status of classification of a loan/advance through rescheduling/restructuring unless the terms and conditions of rescheduling/restructuring are fully met for a period of at least one year (excluding grace period, if any) from the date of the rescheduling/restructuring and at least 10% of the outstanding amount is recovered in cash?			

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21.	Did the Bank/DFI abstain from taking to income account the unrealized mark-up on loans (declassified after rescheduling/restructuring) unless at least 50% of the amount is realized in cash?			
22.	Did the Bank/DFI abstain from revaluing the Forced Sale Value of collateral before passage of three years for the previous valuation?			
SUBMISSION OF RETURNS				
23.	Did the Bank/DFI submit to Banking Inspection Department the borrower-wise annual statements regarding classified loans and advances?			
TIMING OF CREATING PROVISIONS				
24.	Did the Bank/DFI, at least on a quarterly basis, review the collectibility of its SME advances portfolio, properly document the evaluations made and provide for immediately in books of accounts any shortfall in provisioning?			
VERIFICATION BY THE AUDITORS				
25.	Did the external auditors verify during their annual audits of bank/DFI that all requirements as per SBP guidelines for classification and provisioning for assets have been complied with?			

Chairman
Board of Directors