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PART VI

Advertisements and Notices issued by Corporate Bodies and
Private Individuals on payment

STATE BANK OF PAKISTAN

[BANKING CONDUCT & CONSUMER PROTECTION DEPARTMENT]

NOTIFICATION

April 15th, 2016

No. BCCPD/CBU-01/Policy/2016/9436

In exercise of powers conferred by Section 43 of the Credit Bureaus Act, 2015, the State Bank of Pakistan is pleased to make the following regulations-, namely:-

1. **Citation and commencement.** These regulations may be cited as the "Credit Bureaus Regulations" and shall come into force with immediate effect.
2. **Scope.** The regulations shall apply on all credit bureaus granted license by the SBP under the Credit Bureaus Act, 2015.
3. **Definitions:** In these regulations unless the context otherwise requires:-

"Act" means the Credit Bureaus Act, 2015.

"Chief Executive Officer (CEO)" means an individual who, subject to the control and directions of the Board of Directors, is entrusted with the whole, or substantially the whole, of the powers of management of the affairs of the credit bureau occupying the position of CEO and include any executive assuming charge of the bureau as an Acting CEO for interim period or by whatever name called, and whether under a contract of service or otherwise.

"Control" refers to an ownership directly or indirectly through subsidiaries, of more than one half of voting power of an enterprise.

"Director" includes any person occupying the position of a Director on the board of a credit bureau and includes sponsor, nominee and alternate Director or by whatever name called.

"Facility" includes fund based and non fund based facilities (extended in the form of Bank Guarantees, Acceptances and Letters of Credit etc.) .

"Family Member" in relation to a person means his spouse, dependent lineal ascendants and descendants and dependent brothers and sisters.

"Group" means persons, whether natural or legal, if one of them or his / her dependent family members or its subsidiary, have control or hold substantial ownership interest over the other.

"Independent Director" is a Director of the credit bureau:-

- a) who is not linked directly or indirectly with the credit bureau or its sponsors or strategic shareholders;
and

- b) has not been an executive officer or employee of a subsidiary or associate company of the credit bureau or whose Directors of the credit bureau has substantial beneficial interest (20% or more shareholding of Director's own or combined with family members).

“Key Executive” means key executive of credit bureau entrusted with following functional responsibilities:-

- a) Head of Internal Audit
- b) Head of Compliance
- c) Head of Information Technology
- d) Any other executive reporting directly to CEO

“Sponsor Director” means the member of the Board of Directors of a credit bureau holding sponsor shares.

“Sponsor Shares” mean 10% or more paid-up shares of a credit bureau, acquired by a person(s) individually or in concert with his / her family members, group companies, subsidiaries, and affiliates/associates.

“Subsidiary” will have the same meaning as defined in section 3 of the Companies Ordinance, 1984.

“Substantial ownership” means beneficial shareholding of more than 25% by a person and/or by his dependent family members, which will include his/her spouse, dependent lineal ascendants and descendants and dependent brothers and sisters. However, shareholding in or by the Government owned entities and financial institutions will not constitute substantial ownership, for the purpose of these regulations.

The terms not defined in these regulations shall have the same meaning as ascribed in the Act.

Regulation 1

Corporate Governance

- i. In addition to requirements set out in the Act; Sponsor Shareholder(s), Directors, Chief Executive Officer (CEO) and Key Executives of a credit bureau shall comply with the Fitness and Propriety Test (FPT) set out in Annexure-I.
- ii. Credit bureaus are required to seek prior written approval of SBP for appointment of Directors and CEO. The Directors and CEO will not assume the charge of their respective offices until their appointments are approved in writing by SBP. All such requests should be addressed to the Director, Banking Conduct and Consumer Protection Department (BC & CPD), SBP along with information prescribed in Annexure-II, III and IV.
- iii. If at any time the office of CEO becomes vacant, the credit bureau shall appoint any executive as an Acting CEO who meets FPT criteria and his / her FPT documents have been submitted to BC&CPD. The incumbent may operate the bureau as an Acting CEO until the appointment of a regular CEO upon fulfillment of regulatory requirements.
- iv. The CEO and Key Executives shall be full time employees of the credit bureau.
- v. The appointment of Key Executives will not require prior approval of SBP. However, the credit bureaus must themselves ensure while appointing Key Executives that they qualify FPT criteria in letter and in spirit. The information on appointment of Key Executives is required to be submitted to SBP on prescribed format as per Annexure-V within seven days of assumption of the charge of the post by the incumbent.
- vi. FPT criteria prescribed in these regulations are continuous in nature. Therefore, all persons subject to FPT shall immediately submit any change in the information already submitted to SBP. Violation of the instructions, circumvention, concealment, misreporting and delay in submission of information to SBP may result in punitive action.

Regulation 2

Composition of the Board

At least one third or two members, whichever is higher, of the Board of Directors of a credit bureau must be independent.

Regulation 3

Restriction on Shareholding by Financial Institutions

No Financial Institution or its sponsor shareholders shall directly or indirectly own 10% or more shares of a credit bureau. This limit will be calculated by adding shareholding of Financial Institution and their sponsor shareholders.

Regulation 4**Compliance Officer**

The credit bureau shall appoint an officer to ensure compliance with its operational procedures, relevant laws and regulations. The incumbent reporting to CEO should have necessary authority, access to relevant information and adequate resources.

Regulation 5**Information System Audit**

Pursuant to section 24(3) of the Act; the credit bureau shall carry out Information System (IS) Audit every year through any third party audit firms included in the panel of auditors maintained by SBP. The report of such audit shall be shared with the credit bureau and submitted to SBP simultaneously. It must be ensured that the task is not assigned to an audit firm for more than three consecutive years. This IS Audit requirement is in addition to the annual audit of the books of account as required in terms of section 13 of the Act.

Regulation 6**Contents of Credit Information Report**

The credit information report provided by the credit bureau shall not contain any information other than prescribed in Annexure-VI.

Regulation 7**Data Update Frequency**

The credit bureau shall collect data from member entities on monthly basis within 10 days following the month to which it pertains. The credit bureau shall update the complete data within fifteen days following the month to which it pertains.

Any interim record update/amendment request by the member entities shall be made through a system generated process which will be updated on the same day it is received.

The information relating to credit application shall be processed and reflected in the database not later than next working day.

Regulation 8**Maximum Fee for Disclosure of Source of Credit Information**

The credit bureau shall not charge fee exceeding Rs.100/- for disclosure of source of credit information to a debtor.

Regulation 9**Record Keeping**

The credit bureau shall retain data as mentioned hereunder:-

S. No.	Nature of Data	Retention Period
1	Credit reports and related data	Minimum 15 years.
2	Complaints	Three years after disposal of the complaint.
3	Complaints escalated to Courts	Three years after decision of the Court.

Regulation 10**Agreement with Member Entities**

The credit bureau shall enter into a formal agreement with the member entities with whom it has data sharing arrangements. The agreement should inter alia take into account:-

- explicit clauses requiring the member entities to provide the credit bureau true, accurate, complete, and updated information as per defined frequency and timeframe.
- confidentiality, privacy and security of information.
- dispute resolution mechanism and responsibilities of each entity in relation to resolution of complaints.

The agreement shall not include any clause that is in contravention of any law, credit bureaus rules and regulations. The bureau shall keep SBP updated about the entities with whom it has data sharing agreement.

Regulation 11**Outsourcing Arrangement with Third Parties**

The credit bureau may outsource any function, except data base management system, to a third part subject to the condition that the arrangement does not:-

- a) breach privacy of credit information.
- b) impede efficiency of credit bureau's services to the members.
- c) compromise security standards as defined in regulation 12.

Regulation 12**Accuracy and Security of Credit Information Files and Credit Reports**

The credit bureau shall take the necessary security and control measures to avoid unauthorized access, improper use or mismanagement of information without compromising efficiency of its services. Credit bureau is required to adhere to Information System Security Standards as prescribed in Annexure-VII of these regulations.

Regulation 13**Dispute Resolution**

The credit bureau shall put in place complaint handling and dispute resolution policy and procedures. The credit bureau shall ensure that:-

- a) the complaint handling function is given adequate resources to act effectively.
- b) all complaints lodged are acknowledged.
- c) complaints are taken up with the respective credit information provider at the earliest but not later than two working days.
- d) complainant is provided reasonable explanation/resolution within 10 days.

The credit bureau shall place on their websites the address, phone & fax numbers and email address for lodging complaint. The name, designation and contact details (phone, fax, e-mail, mobile number, etc) of person so identified be sent to BC&CPD. The designated person shall also serve as the contact person for complaints forwarded to/by SBP.

The credit bureau shall:-

- a) maintain record of all requests for correction and its updated status.
- b) document the manner in which it was resolved.
- c) maintain separate file for errors/omissions/delays occurred at bureaus own level.

ANNEXURE I**ASSESSMENT OF FITNESS AND PROPRIETY (FPT)**

The "Fit and Proper Test" (FPT) criteria mentioned in this Annexure are in addition to requirements mentioned in sub section 1 of Section 5 of the Act. The FPT is applicable on the sponsors who apply for a credit bureau license, the investors acquiring more than 10% shares in the credit bureau and for the appointment of Directors, CEO, and Key Executives of the credit bureau.

(A) INTEGRITY, HONESTY AND REPUTATION:

To comply with FPT, it must be ensured that above mentioned person:-

- i) has not been subject to any adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial matters/business, misconduct, fraud, formation or management of a corporate body etc by SBP, other regulatory authorities (within or outside Pakistan), professional bodies or government bodies/agencies.
- ii) has not contravened any of the requirements and standards of SBP or the equivalent standards/requirements of other regulatory authorities (outside Pakistan as well), professional bodies or government bodies/agencies.

