

IRAF: QUESTIONNAIRE FOR SELF-ASSESSMENT

QUESTIONNAIRE ON PRUDENTIAL REGULATIONS FOR SMALL & MEDIUM ENTERPRISES FINANCING

ANNEXURE II

S #	Particulars	Compliant	Comments
		Scale 1 - 5	

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?	1	
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?		
4.	Did the rationale and parameters used to project the future cash flows has been documented and annexed with the cash flows analysis?		
5.	Did the Bank/DFI assist the borrower in obtaining the required information for preparing cash flows (where applicable) and did not decline SME access to credit simply due to lack of sophistication & financial expertise?		
PERSONAL GUARANTEES			
6.	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			
7.	Did the Bank/DFI limit its clean exposure on a single SME within prescribed limits and obtain the required declaration.		
SECURITIES			
8.	Did the Bank/DFI secure appropriately all facilities extended to SMEs over and above the limit for clean facilities?		

¹ 1 = Fully Compliant, 2 = Significantly Compliant, 3 = Partially Compliant, 4 = Marginally Compliant, 5 = Non Compliant

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PER PARTY EXPOSURE LIMIT			
9.	Did the Bank/DFI ensure that standalone/aggregate exposure on a single SME remains within prescribed limits?		
AGGREGATE EXPOSURE OF A BANK/DFI ON SME SECTOR			
10.	Did the Bank/DFI adhere to the limits prescribed by the SBP for aggregate exposure of a Bank/DFI on SME sector?		
MINIMUM CONDITIONS FOR TAKING EXPOSURE			
11.	Did the Bank/DFI obtain <ul style="list-style-type: none"> a) Credit report from the Credit Information Bureau (CIB) of SBP and give due weightage b) A copy of financial statement where applicable c) Loan Application Form & Borrower Basic Fact Sheet d) Record reasons and justification while taking exposure on defaulters e) Obtain reference from SME Associations on credit worthiness of SME, where applicable. 		
PROPER UTILIZATION OF LOAN			
12.	Did the Bank/DFI develop and implement an appropriate system for monitoring the utilization of loans and obtain the required declaration in this regard?		
RESTRICTION ON FACILITIES TO RELATED PARTIES			
13.	Did the Bank/DFI abstain itself from taking exposure on an SME wherein interest of the following was present: <ul style="list-style-type: none"> 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			
14.	Did the Bank/DFI adhere to the guidelines prescribed by SBP for provisioning and classification of its SME asset portfolio?		

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VERIFICATION BY THE AUDITORS			
15.	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?		

President/CEO

Secretary to BOD