

IRAF: QUESTIONNAIRE FOR SELF-ASSESSMENT
QUESTIONNAIRE ON PRUDENTIAL REGULATIONS FOR CONSUMER FINANCING

ANNEXURE III

S #	Particulars	Compliant	Comments
		Scale 1 - 5	

PRE-OPERATIONS REQUIREMENTS			
1.	Did the bank/DFI set up a separate Risk Management Unit for consumer financing? ¹	2	
2.	Did the bank/DFI staff the unit with personnel having sufficient expertise & experience in the field of consumer finance/business and have been imparted necessary training?		
3.	Did the bank/DFI prepare a comprehensive consumer credit policy covering interalia loan approvals, documentation and loan administration duly approved by the Board of Directors (in case of foreign banks, by Country Head and Executive/Management Committee)?		
4.	<p>Did the bank/DFI put in place flexible MIS for consumer finance, which caters to all needs of consumer finance portfolio which interalia have capacity to generate:</p> <ul style="list-style-type: none"> a) Delinquency reports (for 30, 60, 90, 180 & 360 days and above) on monthly basis b) Reports interrelating delinquencies with various types of customers or various attributes of the customers c) Quarterly product-wise profit & loss accounts duly adjusted with the provisions on account of classified loans <p>Moreover, 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</p>		
5.	Did the bank/DFI develop comprehensive recovery procedures with triggers for adopting pre-planned enforcement/recovery measures for delinquent consumer loans?		
6.	Did the bank/DFI become a member of at least one Consumer Credit Information Bureau?		
OPERATIONAL REQUIREMENTS			
7.	Did the bank/DFI develop a risk management system for managing risks inherent in consumer financing and also 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?		

¹ If answer is No then please skip Question 2

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

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8.	Did the bank/DFI obtain a written declaration from the borrowers divulging details of facilities already obtained from other financial institutions?		
9.	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 by using credit report from Consumer Credit Information Bureau?		
10.	Does the internal audit and control function of the bank/DFI, have the capacity to: <ul style="list-style-type: none"> a) Undertake an objective review of the consumer finance portfolio from time to time to assess various risks and possible weaknesses. b) assess the adequacy of internal controls and ensure that required policies & procedures are developed and practiced c) Comment on the steps taken by the management to rectify the weaknesses pointed out in their previous reports for reducing risks? 		
11.	Did the bank/DFI ensure that its accounting & computer system is equipped enough to: <ul style="list-style-type: none"> a) Avoid charging of mark-up on mark-up b) ensure that mark-up charged on outstanding amount is kept separate from the principal c) ensure that any repayment made by the borrower is accounted for before applying mark-up on the outstanding amount. d) Takes into account all partial payments made by cardholders before charging service fee or mark-up on the outstanding or billed amount 		
DISCLOSURE/ETHICS			
12.	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			
13.	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?		

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	UTILIZATION OF CLEAN LOANS FOR IPOs		
14.	Did the bank/DFI obtain the required declaration from the borrowers and also introduce an internal system to restrict usage of payment instructions from clean loan account /limit for use of IPO.		
	LIMIT ON EXPOSURE AGAINST TOTAL CONSUMER FINANCING		
15.	Did the Bank/DFI adhere to the limits prescribed for the aggregate exposure under all consumer-financing facilities?		
	GENERAL RESERVE AGAINST CONSUMER FINANCE		
16.	Did the Bank/DFI maintain prescribed general reserve?		
	BAR ON TRANSFER OF FACILITIES FROM ONE CATEGORY TO ANOTHER TO AVOID CLASSIFICATION		
17.	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?		
	REGULATIONS FOR CREDIT CARDS SAFETY MEASURES		
18.	Did the Bank/DFI take appropriate measures to ensure that cardholders receive the cards, personally or by mail?		
19.	Did the Bank/DFI advise the cardholders to keep the card in safe custody and the PIN secret in order to avoid frauds?		
	INSURANCE COVER		
20.	Did the Bank/DFI take insurance cover against wrongly charged amounts, frauds and other such matters?		
21.	Did the bank/DFI have a system to obtain consent from the borrower in prescribed manner before charging "insurance premium"?		
	IMPOSITION OF FINE		
22.	Did the Bank/DFI clearly mention in the agreement with borrower regarding charging of fine/penalty to be charged in case payment is not made by due date?		

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MAXIMUM CREDIT LIMIT			
23.	Did the Bank/DFI secure itself appropriately before providing a limit in excess of prescribed clean limit and keep maximum credit limit to a card holder to prescribed limit?		
CLASSIFICATION AND PROVISIONING			
24.	Did the Bank/DFI adhere to the guidelines provided by SBP for classification and provisioning of all type of consumer finance?		
REGULATIONS FOR AUTO LOANS			
25.	Did the Bank/DFI abstain from extending Auto Loans for the purpose of acquiring commercial vehicles?		
TENURE OF AUTO LOANS			
26.	Did the Bank/DFI abstain from providing auto loans with a tenure exceeding seven years?		
DOWN PAYMENT			
27.	Did the Bank/DFI abstain from allowing a down payment for auto loans not less than the prescribed %age of the value of vehicle?		
28.	Did the bank/DFI abstain itself from financing the premium on autos charged by the dealers/investors.		
SECURITY ARRANGEMENT			
29.	Did the Bank/DFI properly secure itself in all type of consumer financing through proper security documentation/arrangements?		
30.	Did the Bank/DFI make payments direct to the manufacturer/authorized dealer against the sale orders upon delivery of the vehicle?		
INSURANCE			
31.	Did the Bank/DFI properly insure the vehicle throughout the tenure of the loan?		

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REPOSSESSION			
32.	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? In addition the borrower is provided a schedule of charges wherein the maximum amount of charges for repossession is explicitly displayed. Also the bank/DFI develop for repossession of the vehicles an appropriate procedure, which is in harmony with the law?		
SCHEDULE OF REPAYMENT			
33.	Did the Bank/DFI provide a detailed repayment schedule to the borrower: a) at the outset b) upon request a revised repayment schedule free of cost c) Revised schedule of payments not later than 15 days of the alterations, if made.		
FINANCING OF USED VEHICLES			
34.	Did the Bank/DFI prepare uniform guidelines for determining the value of the used vehicles and abstain from financing cars older than five years?		
AUTHORIZED DEALERS			
35.	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?		
REGULATIONS FOR HOUSING FINANCE			
EXPOSURE LIMIT			
36.	Did the bank/DFI ensure that at no time their total exposure under housing financing exceed prescribed limit determine by SBP?		
37.	Did the Bank/DFI determine the housing finance limit, both in urban and rural area, in line with their credit policy, credit worthiness and loan repayment capacity of the borrower and ensure that total payments of consumer loans should not exceed prescribed %age of net disposable income ?		

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38.	Did the bank/DFI provide housing finance for purchase of plot & construction on it (prescribed %age for plot & prescribed %age for construction)?		
	DEBT-EQUITY RATIO		
39.	Did the Bank/DFI adhere to the prescribed maximum debt-equity ratio while providing housing finance facility?		
	TENURE		
40.	Did the Bank/DFI observe following while extending mortgage loans for housing: a) Prescribed maximum tenure b) Make adequate asset liability matching c) Floating Rate Products for housing finance to alleviate interest rate risk. d) An in-house system to stress test its housing portfolio against adverse movements in interest rates and maturity mismatches		
	MARKET CONDITIONS		
41.	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?		
	REGULATIONS FOR PERSONAL LOANS INCLUDING LOANS FOR THE PURCHASE OF CONSUMER DURABLES		
	EXPOSURE LIMIT		
42.	Did the Bank/DFI adhere to: a) Maximum per person prescribed limit for clean personal loans set by SBP. b) Well define criteria for terms “Prime Customers” and “Moderate Debt Burden” approved by their BOD. c) Acquire appropriate security before extending personal loans above prescribed clean limit. d) Abstain from extending secured personal loans above prescribed limit. e) Limits prescribed by CDNS / Federal Government /State Bank of Pakistan for loans extended against the instruments of the Central Directorate of National Saving (CDNS)		
	MAXIMUM TENURE		
43.	Did the Bank/DFI abstain from extending personal loans exceeding prescribed tenure?		

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44.	Did the Bank/DFI ensure disbursement of educational loans directly to educational institutions?		
CLEAN-UP OF THE FACILITY			
45.	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 prescribed %age of the amount, utilized during the year?		

President/CEO

Secretary to BOD