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SBP revises regulations for microfinance banks.

State Bank of Pakistan (SBP) has issued revised Prudential Regulations (PRs) for Microfinance Banks (MFBs) to further improve their governance structure, consumer protection practices, and anti-money laundering (AML) policies.

Presently, ten MFBs are providing basic financial services to poor and low-income people in the country. These MFBs are well-capitalized and owned by diverse and strong sponsors. The revised regulations will enable these MFBs to prudently manage their operations in the wake of their recent business growth, technological innovations, and market infrastructure improvements.

The revised regulations, among other areas, define role and responsibilities of board of directors, require induction of two independent directors, and prescribe fit and proper test for the appointment of key executives of MFBs. MFBs are also required to improve their consumer protection policies through basic financial literacy programs, enhanced transparency & disclosures, fair debt collection practices, and effective complaint redressal mechanism. Similarly, MFBs will implement comprehensive AML framework covering areas such as customer identification and verification requirements, ongoing & enhanced due diligence, record retention, and cash & suspicious transactions reporting in line with the standards prescribed by Financial Action Task Force (FATF). Further, instructions in certain areas of risk management and operations have also been revised.

It is pertinent to mention here that the revised regulatory framework is in line with SBP's efforts for promoting long-term, sustainable, and growth-oriented business models in microfinance sector. This will also help in further mainstreaming of microfinance into overall banking system of the country.
