



## External Relations Department

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### **SBP revises prudential regulation for Microfinance Banks**

State Bank of Pakistan (SBP) has issued revised Prudential Regulations for Microfinance Banks (MFBs) to streamline the requirement of obtaining Credit Information Report (CIR) and simplifying the documentary requirements from microfinance borrowers.

Earlier, the Credit Bureau Act (CBA) 2015 was promulgated to provide basis for incorporation and functioning of credit bureaus in Pakistan. Under the CBA, Licensed Credit Bureaus (LCBs) are offering comprehensive CIR to financial institutions on individuals/borrowers to make informed decisions, borrowers' credit worthiness and debt carrying capacity. Considering the development in LCB landscape, following amendments have been made in the MFBs' regulations.

- a) Earlier, MFBs were required to obtain written declaration from borrowers about facilities already obtained by them from other financial institutions. However, as LCBs are able to offer comprehensive CIR on individuals/borrowers, therefore in order to avoid duplication, this requirement has been withdrawn. This would bring efficiency and further simplify the loan approval process by reducing documentary requirements from borrowers.
- b) Similarly, MFBs were earlier required to obtain mandatory credit report from SBP's eCIB for all credit facilities exceeding Rs.30,000. Since LCBs are able to offer comprehensive CIR to its members which constitutes of almost all banks/MFBs and Non-Bank Microfinance Companies (NB-MFCs), therefore, the mandatory requirement to make inquiry from SBP's eCIB has been withdrawn. This revision will allow MFBs to independently decide on obtaining CIR of borrowers, regardless of loan size.
- c) Furthermore, MFBs obligation towards reporting to SBP's eCIB has also been simplified besides aligning relevant terminologies with the Credit Bureaus Act, 2015.

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