



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Specialized Companies Division
Lending & Private Fund Department

No. SC/NBFC-1-196/ /2024/ 56

March 12, 2024

Circular No. 08 of 2024

Guidelines for NBFCs engaged in Digital Lending

The Securities and Exchange Commission of Pakistan (the "Commission") in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with regulation 28(da) of the NBFC Regulations, 2008 issues the following guidelines for the Non-Banking Finance Companies engaged in Lending.

1. Guidelines for Advertisement (Annexure A)

The guidelines intend to promote adoption of responsible and ethical practices by digital lenders while marketing their digital lending products.

These guidelines are applicable to advertisements, promotion or marketing activities undertaken in whatever form and manner through any means. These activities shall include, but are not limited to, material disseminated, broadcasted, shared or published using any social media, electronic/print media, calls/emails, In-app promotions, and partner-based marketing through third parties (e.g. influencers, content creators).

NBFCs must ensure that all advertisements for digital lending products complies with these guidelines. Digital lending products include, but are not limited, to payday loans, personal loans, peer-to-peer loans, and other forms of online lending.

2. Guidelines for Call Centre Management (Annexure B)

The aim of these guidelines is to emphasize professionalism and uphold the rights of borrowers when they are contacted via call centers.

Call centers serve as the human interface for digital lending NBFCs, playing a crucial role in assisting customers with services, handling queries, and gathering feedback. Their significance is heightened in the recovery and collection processes of digital lending NBFCs. Many complaints against these NBFCs stem from call center interactions, underscoring the imperative need for a code of conduct in this domain.

(Mujtaba Ahmad Lodhi)
Commissioner (SCD)

Distribution:

1. Chief Executive Officers of All Non-Bank Finance Companies
2. Chief Executive Officer of Pakistan Microfinance Network
3. Chairman, NBFI & Modarabas Association of Pakistan



Guidelines for the Advertisement

1. General Requirements

NBFCs shall ensure that all advertisements, promotion or marketing activities undertaken in whatever form and manner through any means shall adhere to the following guidelines. These activities shall include, but are not limited to, material disseminated, broadcasted, or published using any social media, electronic/print media, calls/emails, in-app promotions, and partner-based marketing through third parties (e.g. influencers, content creators):

- a) NBFCs can only market App which are included in SECP's app whitelist.
- b) NBFCs must ensure that content posted online or distributed otherwise by individuals or entities who are not licensed financial advice providers, for or on their behalf, must also comply with the requirements.
- c) NBFCs must develop and implement internal controls and procedures to monitor compliance with these guidelines.
- d) NBFCs shall conduct regular monitoring of marketing platforms to ensure continuous adherence to these guidelines and promptly address any problems or concerns that may arise.

2. Clear and Transparent Disclosure

- a) The advertisement should include loan amount range, loan tenor(s), APR and the disclosure that assigned credit limit will be subject to the credit worthiness of the borrower.
- b) Disclosures must be placed prominently and in close proximity to the advertisement's main content, making it easily readable and understandable.
- c) The advertisement should not use misleading/ deceptive statements or false claims about the benefits or terms of the lending product.
- d) NBFCs shall only present the range of loan amount offered, loan tenor, APR instead of a static specific number or percentage.

3. Fair and Non-Discriminatory Practices

- a) NBFCs must ensure advertisements must not target underage consumers.
- b) NBFCs must not reflect discriminatory contents in their advertisements, including but not limited to those related to race, religion, gender, or other protected characteristics.
- c) Advertisements must not contain anything that is indecent, exploitative, degrading, or likely to cause harm, or serious or widespread offence, or give rise to hostility, contempt, abuse or ridicule.
- d) Advertisement containing reference to licensing from SECP, should not imply endorsement of the App or loan product.
- e) Advertisements must not depict or encourage environmental damage or degradation.

4. Clarity and Simplicity

- a) Every advertisement must use plain and understandable language and must be easily legible/audible. It must also include the name and logo of the NBFC and its app.
- b) Advertisements must avoid jargon or complex terminology that may confuse consumers.
- c) The terms and conditions of the lending product must be presented in a clear and straightforward manner.
- d) Disclaimers and other qualifying statements must be clearly prominent and readable for easy comprehension.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Specialized Companies Division
Lending & Private Fund Department

5. Responsible Lending Practices

- a) NBFCs should promote responsible borrowing and lending behaviors in their advertising. Their messaging should avoid luring excessive borrowing or a lack of concern for financial prudence.
- b) NBFCs shall ensure that the links shared in their social media advertisements exclusively direct users to the "Google Play store/Apple App Store" for downloading its approved digital lending app.
- c) NBFCs shall include in every advertisement following message in text form in case of printed advertisement and in audio form, in all other cases;

Borrow responsibly and only take loans that you can comfortably repay within the agreed timeframe to avoid financial difficulties. Always read the terms and conditions carefully before availing any loan.

قرض لیتے وقت ہمیشہ ذمہ داری کا مظاہرہ کریں اور صرف اتنا ہی قرض حاصل کریں جو آپ، کسی مالی مشکل کا شکار ہونے بغیر، آسانی کے ساتھ مقررہ مدت کے اندر اندر ادا کر سکتے ہیں۔ قرض لینے سے پہلے ہمیشہ دیکھ لیں شرائط و ضوابط کو غور سے پڑھیں اور سمجھیں۔



Guidelines for the Call Centre Management

The guidelines are applicable on both the in-house and outsourced call centres. Borrowers can only be contacted by the call centres at specified time as provided in the clause 5(3)(c) of Circular 15 of 2022. NBFC and their respective BODs shall be responsible implementing these guidelines.

1. Policy & Oversight

An NBFC shall

- a) Formulate comprehensive Policy and Standard Operating Procedures (SOPs) on call center management duly approved by their Board of Directors.
- b) Ensure supervision function like quality assurance checks of call center should not be outsourced.
- c) Mandate periodic reporting on performance of call centers including Complaint Management turnaround time (TAT).
- d) Ensure periodic trainings of their call center staff on product features, approved SOPs and regulatory frameworks to avoid mis-selling and breach of regulatory requirements.
- e) Refrain from endorsing aggressive techniques for debt collection generally or through their training programs,
- f) Conduct consumer testing/ consumer recalls at least on an annual basis to assess customer awareness regarding call centers and take actions for improvement where required.
- g) Ensure that call center numbers are displayed prominently on NBFCs websites/digital Apps. Moreover, NBFCs are encouraged to deploy toll-free numbers for their call centers.
- h) Display, at conspicuous position, the approved Policy and SOPs, as required under Clause 1 (a) of this Code.

2. Customer Convenience, Respect and Courtesy:

NBFCs shall ensure that

- a) Recovery agent shall communicate his/her name and designation every time a borrower is approached through call center
- b) Prior to initiating debt collection or recovery from their customers/borrowers, they furnish all pertinent information regarding outstanding payments due.
- c) Call center / Recovery agent staff must treat all customers with respect, courtesy, and professionalism at all times.
- d) Offensive/threatening language, discriminatory remarks, or disrespectful behavior towards customers is strictly prohibited.
- e) Agents maintain a level of professionalism throughout the entire conversation. All conversations should be in line with corporate values and goals.
- f) An objective professional tone should be used with customer to hear/register their complaint and a tentative TAT shall be shared with them for complaint resolution.
- g) Agents avoid mis-selling, maligning other competitive market products and exaggerating facts to their benefit.

3. Ease of Lodgment/ Convenience/ Fairness

NBFCs shall ensure that

- a) Consumers are explicitly informed about their calls being recorded at the call center and collection calls are properly recorded.
- b) Upon resolution of complaint within committed TAT customer should be intimated as such, in case the complaint remains unresolved call should be made to customer to update on the progress made and a revised TAT shall be shared with customer.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Specialized Companies Division
Lending & Private Fund Department

- c) Complaints received through the call center are properly recorded in the Complaint Management System (CMS), preferably through appropriate automation
- d) Agents do not refuse to lodge complaint of the customers/ callers
- e) Unique complaint number, as generated from CMS, is provided to all complainants through SMS/ email.

4. Confidentiality of Customers' Data

NBFCs shall ensure that:

- a) Confidentiality of consumers' data shared with the call center agents. through appropriate oversight and security clauses in the contract.
- a) Implement direct dialing call centre solutions, wherein, clients/borrowers are contacted without exposure of their numbers or confidential data to the contacting staff.
- b) Collection/recovery staff do not transfer or misuse any personal data of customers / borrowers.