



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NON-BANKING FINANCE COMPANIES

A PROCEDURAL GUIDE ON FORMATION AND LICENSING



DISCLAIMER:

This guide has been developed with the intent to facilitate those interested in formation and licensing of lending NBFCs and fund management NBFCs. The contents of this guide do not constitute an approval, a legal opinion, legal vetting or professional advice and are not a replacement of applicable prevalent regulatory framework and this should not be treated as binding on the Commission in any way. Prospective Applicants/Stakeholders are encouraged to seek professional advice, if required as it is the responsibility of the persons who are subject to provisions of the law to determine their obligations/responsibilities under the applicable law. The Commission gives no guarantee and assumes no liability for any error or omissions of the information and no one can use the information for any claim, demand or cause of action.

Non-Banking Finance Companies (NBFCs)

Fund Management NBFCs

Lending NBFCs

Asset Management Services

Investment Finance Services

Investment Advisory Services

Non-Bank Micro Finance

REIT Management Services

Discounting

Private Equity & venture Capital Fund Management Services

Leasing

Pension Fund Scheme Business

Housing Finance

NBFCs Specific Regulatory Framework



Part VIII A of the Companies Ordinance, 1984

Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules)

Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations)

Real Estate Investment Trust Regulations, 2015

Private Funds Regulations, 2015

Reservation of Company Name

Application for Permission to form NBFC

Incorporation of Company

Application for Licensing of NBFC

Process of Formation and Licensing of NBFCs





NBFC	Non-Banking Finance Company
NBFC Regulations	Non-Banking Finance Companies and Notified Entities Regulations, 2008
NBFC Rules	Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003
PF Regulations	Private Funds Regulations, 2015
REIT Regulations	Real Estate Investment Trust Regulations, 2015
NBFC Regulatory Framework	Comprises Part VIII A of the Companies Ordinance, 1984, NBFC Rules, NBFC Regulations, REIT Regulations, PF Regulations

STEP 1: COMPANY NAME RESERVATION

Promoters/Sponsors shall file an application with relevant Company Registration Office (“CRO”)/Business Center for reservation of proposed name of the proposed NBFC.

SECP’s Name Search Facility:

<https://eservices.secp.gov.pk/eServices/NameSearch.jsp>

Name Reservation Guide accessible at:

https://eservices.secp.gov.pk/eServices/Guides/userguide_sa_cnr_ci.pdf



Relevant CRO/Business Center after internally obtaining NOC from Specialized Companies Division-PRDD, shall issue confirmation to the applicant for reservation of proposed company name valid for 60 days.

* *Valid name reservation is required for seeking permission to form NBFC. Upon expiry of 60 days validity, the applicant will be needing to get the name reserved again.*

STEP 3: INCORPORATION OF COMPANY

During the validity period of the permission, the promoters shall get the NBFC incorporated and apply to the Commission for grant of license after fulfilling all the applicable requirements prescribed in the NBFC regulatory framework.

Incorporation Guide accessible at:

<https://www.secp.gov.pk/document/incorporation-of-a-company->

STEP 2: PERMISSION TO FORM NBFC

Subject to eligibility under rule 3, the applicants shall file an application with PRDD-Specialized Companies Division, SECP Headquarter Islamabad, under rule 4 on **Form I** of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (“NBFC Rules”) for obtaining permission to form an NBFC along with the following documents/information:

- Original Challan evidencing payment of non-refundable Fee as per Schedule-II of NBFC Regulations **or** Schedule III of REIT Regulations **or** Schedule I of PF Regulations;
- Complete information as per Annexure to Form-I of NBFC Rules, 2003;
- Complete information in respect of promoters, major shareholders, directors and CEO as per Annexure-A of Schedule – IX of NBFC Regulations, **or** Schedule – VIII of REIT Regulations;
- Names, qualification and experience of directors with details of relevant experience as per Schedule-I of NBFC Rules, 2003;
- Flow chart clearly reflecting shareholding structure of the proposed company leading to ultimate beneficial owners;
- Feasibility plan containing 5 years financial & operating projections, organogram, SWOT analysis and underlying assumptions;
- And any other information required by the Commission.

*[Details of documents to be submitted given as **APPENDIX-1 of this Guide**]*



The Commission may grant / decline Permission to Form NBFC through Order under rule 4 of the NBFC Rules, 2003, Valid for 6 months extendable for further 3 months, on application.

STEP 4: GRANT OF LICENSE AND APPROVAL OF DIRECTORS & CEO

Subject to eligibility under Schedule I, the directors of the company shall file application under rule 5 on **Form – II** [for license] and rule 7 (2)(aa) [for BOD/CEO] of NBFC Rules, 2003 along with the following documents/information:

- Original Challan evidencing payment of non-refundable fee as per Schedule-II of NBFC Regulations, **or** Schedule III of REIT Regulations **or** Schedule I of PF Regulations;
- Certificate of Incorporation as a limited company (private or public limited);
- Certified copy of Memorandum of Association and Articles of Association;
- Auditor's certificate indicating compliance with minimum equity requirement. (As specified in Schedule-I of NBFC Regulations **or** regulation 3(2) of REIT Regulations **or** regulation 8(i) of PF Regulations);
- Details of Directors with relevant experience of subject licensed activity as required under Schedule-I of NBFC Rules, 2003;
- Information and documents as per Annexure A and B of Schedule IX of NBFC Regulations **or** Schedule – VIII of REIT Regulations;
- Evidence of deposit of promoters'/major shareholders' shares in Central Depository Company under rule 5(6)(e) of NBFC Rules, 2003;
- Affidavit as to the correctness of the information;
- Any other documents as may be required.

[Further details of additional documents to be submitted given as **APPENDIX-1 of this Guide**]

The Commission may grant / decline license/BOD approval, under rules 5 and 7 of the NBFC Rules, 2003.



VALIDITY OF LICENSE

The licence granted shall be valid for three years from the date of its issuance and shall be renewable upon expiry of the said period by making an application on Form-IV along with specified fee (applicable as per Appendix 1), at least **30 days** prior to the expiry as set out in Form IV of NBFC, Rules, 2003.

The Commission may, after making such inquiry and after obtaining such further information, as it may consider necessary, renew the licence subject to fulfilment of regulatory requirement for NBFCs.

Commission's prior approval is required for all appointments/re-appointments of directors and chief executive, in terms of rule 7 (2) (aa) of the NBFC Rules, 2003.

Appendix – 1 Applicable schedule for different forms of NBFCs, **Appendix – 2** containing list of documents required to be submitted at the time of obtaining permission and licensing and **Appendix – 3** containing samples of undertakings /affidavits to be submitted with applications, are also attached to this guide.

Key requirements to remember for NBFC formation / licensing (The list is not exhaustive and is only for quick guidance)



1. Independent Directors

At least 1 or 1/3rd of total number of directors shall be independent directors, who are registered in databank of independent directors maintained by PICG and meet the criteria as defined in section 166 (2) of Companies Act, 2017. They are to be elected in the same manner as other directors are elected. For guidance, please refer to below Table:

Total Number of Directors, including Independent Director	No. of Independent Director
Up to 5	1
Between 6 to 8	2
Between 9 to 11	3

2. Experience Requirements:

- ▶ CEO: 7 to 10 Years at senior management level
- ▶ All directors: 5 Years management or business experience preferable in regulated financial sector at senior level (*sponsor directors are exempt, however, Schedule I of NBFC Rules, 2003 will apply*)
- ▶ Relevant experience of 5 years at a senior management level for: at least 1 director, if the total number of directors is less than 3; and at least 2 directors if the total number of directors is 3 or more (*Schedule I of NBFC Rules 2003*).

3. Minimum number of directors, as per Companies Act, 2017: 2 for Pvt. Limited Company, 3 for Public Limited Company and 7 in case of a listed company.
4. The applicants must demonstrate that their management team (including Board of directors) is fully aware of their obligations and oversight responsibilities as per applicable laws, and particularly for those related to formulation and implementation of Know Your Customer, Anti Money Laundering and Countering Financing of Terrorism policies.
5. CEO of an NBFC cannot hold such office in any other company, as per NBFC Rules. Moreover, being a full-time position, CEO should not hold any other full-time position in another company / organization;
6. Fit and Proper Criteria specified in Schedule IX of NBFC Regulations **or** Schedule VIII of REIT Regulations is applicable to: Promoters and Major Shareholders, Directors, Chief Executive and key executives. However, proposed director or chief executive of the NBFC and Investment Company shall not assume the charge of office until their appointment has been approved by the Commission.

Please use SECP's Service Desk Management System for any queries: <https://sdms.secp.gov.pk/~sdmsadmin/>

RELEVANT SCHEDULES OF APPLICATION FEE FOR VARIOUS FORMS OF NBFCs

Form of Business	Application Fee Rs.
Investment Finance Services	250,000
Micro Financing	125,000
Leasing	250,000
Housing Finance Services	250,000
Discounting Services	250,000
Investment Advisory Services	250,000
Asset Management Services	250,000
Private Equity & Venture Capital Management Services	250,000
REIT Management Services	250,000

RELEVANT REQUIREMENT FOR MINIMUM EQUITY REQUIREMENT

Form of Business	MER Requirement Rs.
Investment Finance Services	100 million
Micro Financing	50 million
Leasing	50 million
Housing Finance Services	50 million
Discounting Services	50 million
Asset Management Services	200 million
Investment Advisory Services	30 million
REIT Management Services	50 million
Private Equity & Venture Capital Management Services	10 million

APPENDIX-2

S.No	Documents/ Information required as per FIT & Proper criteria specified in Schedule IX of NBFC regulations, OR Schedule VIII of REIT Regulations with application for <i>(unless otherwise specifically required)</i> : (i) Seeking Permission to Form NBFC [for all promoters, proposed directors, CEO and Chairman (Rule 3 of NBFC Rules)]; (ii) Obtaining License [for all directors, CEO and Chairman]; and (iii) Seeking approval for appointment of proposed CEO/Director	Yes / No	Remarks (if any)
1	Photograph and copy of CNIC of proposed directors/CEO		
2	Annexure A to Fit and Proper Criteria of relevant Regulation (to be submitted by all promoters/directors/CEO)		
3	Annexure B to Fit and Proper Criteria of relevant Regulation (to be submitted by all promoters/directors/CEO)		
4	Consent to act as Director/ Independent Director/CEO (Form 28) (to be submitted by all directors/CEO)		
5	Affidavit (Annexure A para 4(2)) (to be submitted by all directors/promoters/CEO)		
6	Undertaking under Annexure-I to Form-I (10) NBFC Rules (to be submitted by all directors/CEO/promoters)		
7	Affidavit (as per proviso under sub-clause “vi” under heading of ASSESSMENT OF FITNESS AND PROPRIETY) that no investigation is initiated by any Law Enforcement Agency against such persons that are proposed directors/sponsors and in case any investigation has been initiated, the fact must be disclosed (to be submitted by all directors/CEO/Promoters)		
8	Undertaking in term of Rule 5(6) (b, c, d, e, g, h, i, l) of NBFC Rules (to be submitted by company/authorised representative) <i>(To be provided by the applicants at time of submitting application for license only)</i>		
9	Undertaking in term of Rule 5(6) (m) of NBFC Rules (to be submitted by all directors/authorized representative) <i>(to be provided at the time of application for license only)</i>		
10	Declaration of independence from Independent Director under section 166(2) of Companies Act, 2017 (Only applicable to independent director)		
11	Copies of Educational and Experience Certificates (to be submitted by all directors/CEO)		
12	Tax Returns for last three years/ Net worth Statement of the proposed directors/sponsors		
13	Evidence for payment of application fee – Original Bank Challan		
14	Evidence of registration of Independent Directors in the data bank on PICG Portal		
15	Affidavit as to the correctness of the information as per NBFC Rules (to be submitted by all directors/promoters/CEO)		

* NBFC where sponsor/major shareholder is a corporate entity, shall fulfil additional requirements as per Annexure A of Schedule IX of NBFC Regulations/REIT Regulations.

UNDERTAKING in term of Annexure B to Schedule IX of NBFC Regulations / Schedule VIII of REIT Regulations [strike off the one that is irrelevant]

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ do hereby state on solemn affirmation as under:-

- 1) That I am eligible for the position of _____ according to the Fit and Proper Criteria for the position of _____, annexed to the Non-Banking Finance Companies and Notified Entities Regulation, 2008 / Real Estate Investment Trust Regulations, 2015 [strike off the one that is irrelevant].
- 2) That I hereby confirm that the statements made, undertakings provided and the information given by me including that required under Schedule IX/Schedule VIII [strike off the one that is irrelevant] is correct and that there are no facts which have been concealed.
- 3) That I have no objection if the Securities and Exchange Commission of Pakistan requests or obtains information about me from any third party.
- 4) That I undertake to bring to the attention of the Securities Exchange Commission of Pakistan any matter which may potentially affect my status for the position of _____ as per the Fit and Proper Criteria annexed to the Non-Banking Finance Companies and Notified Entities Regulations, 2008 / Real Estate Investment Trust Regulations, 2015 [strike off the one that is irrelevant].
- 5) That all the documents provided to Securities Exchange Commission of Pakistan are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof..

DEPONENT

The Deponent is identified by me

Signature _____
ADVOCATE (Name and Seal)

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature _____
OATH COMMISSIONER FOR TAKING AFFIDAVIT (Name and Seal)

UNDERTAKING in term of Annexure A Para 4(2) of Schedule IX of NBFC Regulations / Schedule VIII of REIT Regulations [strike off the one that is irrelevant]

I _____ Son/daughter of, _____, resident of, _____ and holding CNIC/passport No. _____ do hereby state on solemn affirmation as under: -

- 1) That I have not availed any write off from any financial institution during the last five years;
- 2) That I have not defaulted against any Finance obtained from any financial institution during the last five years;
- 3) That I have not been Placed on Exit Control List (ECL) during the last five years;
- 4) That I have not been convicted from any Court of Law or any plea bargain with National Accountability Bureau (NAB) during the last ten years;
- 5) That none of my related or affiliated person or by any company on whom I or anyone closely related to me had an interest as sponsor, major shareholder, director, chief executive, key executives, etc. during the last five years; and
- 6) I hereby confirm that the companies, firms, sole proprietorship etc. where I am a chief executive, director (other than nominee director), owner or partner etc. has no overdue payment of any financial institution.

Deponent

Name: _____

CNIC: _____

UNDERTAKING in term of Annexure to form-I (10) of NBFC Rules, 2003

I _____ Son/daughter of, _____, resident of, _____ and holding CNIC/passport No. _____ do hereby state on solemn affirmation as under: -

- 1) I have not been associated with any illegal banking business, deposit taking or financial dealings;
- 2) I and companies in which I am a director or major shareholder have no over-due loans or instalments outstanding towards banks or other financial institutions;
- 3) Neither I nor companies in which I am a director or major shareholder has defaulted in paying taxes as on the date of application;
- 4) I have not been a sponsor, director or chief executive of a defaulting cooperative finance society or finance company;
- 5) I have never been convicted of fraud or breach of trust or of an offence involving moral turpitude or removed from service for misconduct;
- 6) I have neither been adjudged an insolvent nor has defaulted in making payments, to my creditors; and
- 7) My net-worth is not less than twice the amount to be subscribed by me personally (not applicable to a nominee director).

Deponent

Name: _____

CNIC: _____

**UNDERTAKING in term of Annexure A to ~~schedule IX of NBFC Regulations / schedule VIII of REIT Regulations~~
[strike off the one that is irrelevant]**

I/we, _____ Son/daughter of, _____, resident of, _____ and holding
CNIC/passport No. _____ do solemnly declared that no investigations have been initiated against me
by any Law Enforcement Agencies

Deponent

Name: _____

CNIC: _____

UNDERTAKING in term of Rule 5(6) of NBFC Rules, 2003

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ on behalf of the entity/NBFC _____ do hereby state on solemn affirmation as under:-

- 1) That the company is not part of a group of companies already holding a licence, under NBFC rules, 2003 for the same form of business;
- 2) That the company meets minimum equity requirements or any other requirement in lieu of minimum equity requirement;
- 3) That the company has allotted at least twenty five percent of the paid-up share capital to the promoters;
- 4) That the company's promoters or majority shareholders and directors have deposited their shares with Central Depository Company of Pakistan Limited in an account marked as blocked and such shares shall not be sold or transferred without prior approval of the Commission and shall be kept unencumbered;
- 5) That the company appoints its chief executive who does not hold such office in any other company except for an investment company being managed by the said company, provided that prior approval of the Commission has been obtained in this regard;
- 6) That the company shall not make any change in the Memorandum of Association, other than increase in the authorized share capital, without prior approval of the Commission;
- 7) That the company shall comply with the conditions as set out in NBFC rules, 2003 the regulations or any direction given by the Commission;
- 8) That this company incorporated as NBFC in accordance with criteria mentioned in rule 4 shall not undertake any other activity except the licenced activity; and

Deponent

UNDERTAKING in term of Rule 5(6)(m) of NBFC Rules, 2003

I _____ Son/daughter of, _____, resident of, _____ and holding CNIC/passport No. _____ do hereby state on solemn affirmation that I shall comply in letter and spirit with the requirements of the Ordinance, these rules, the regulations made under the Ordinance and the directions issued by the Commission.

Deponent

UNDERTAKING in term of Section 166 (2) of Companies Act, 2017

I _____ Son/daughter of, _____, resident of, _____ and holding CNIC/passport No. _____ do hereby state on solemn affirmation as under: -

- 1) That I have not been an employee of the company, any of its subsidiaries or holding company within the last three years;
- 2) That I have not been the chief executive officer of subsidiaries, associated company, associated undertaking or holding company in the last three years;
- 3) That I had not, within the last three years, a material business relationship with the company either directly, or indirectly as a partner, major shareholder or director of a body that has such a relationship with the company.
- 4) That I have not received remuneration in the three years preceding the appointment as a director or receives additional remuneration, excluding retirement benefits from the company apart from a director's fee and have not participated in the company's stock option or a performance-related pay scheme;
- 5) That I am not a close relative of the company's promoters, directors or major shareholders;
- 6) That I did not hold cross-directorships or don't have any significant links with other directors through involvement in other companies or bodies not being the associations licenced under section 42;
- 7) That I have not served on the board for more than three consecutive terms/two consecutive terms from the date of my first appointment; and
- 8) I have not been nominated as a director under sections 164 and 165.

Deponent

Name: _____

CNIC: _____

UNDERTAKING in term of NBFC Rules, 2003

I, _____ Son/daughter of, _____, resident of, _____ and holding CNIC/passport No. _____ do solemnly declares that the documents and particulars provided with the application for _____ are true to the best of my knowledge and belief.

Deponent

Name: _____

CNIC: _____