

GOVERNMENT OF PAKISTAN
Securities and Exchange Commission of Pakistan

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NOTIFICATION

Islamabad, the 31st March, 2020

S.R.O. 279 (I)/2020.- In exercise of the powers conferred by sub-section (2) of the section 282B of the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan is pleased to make the following amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the same having been published in the official gazette vide S.R.O. 1642(I)/2019 dated December 30, 2019, namely:-

In the aforesaid Regulations,-

- (1) in regulation 2, in sub-regulation (1),-
 - (a) in the clause (xxxiva), for the word “prescribed” the word “notified” shall be substituted;
 - (b) after the clause (xl), the following new clause shall be inserted namely,-

“(xli) “small enterprise” and “medium enterprise”, (together referred to as the SME)”, includes ,-

 - (a) small enterprise:- a business entity not a public limited company that has annual turnover up to Rs. 150 million and employees (including contractual) up to 50; and
 - (b) medium enterprise:- a business entity that has annual turnover of more than Rs. 150 million and up to Rs. 800 million and number of employee (including contractual) between 51 to 100 for trading entity and between 51 to 250 for manufacturing or service entity”;
- (2) in regulation 10,-
 - (a) after clause (a), the following new clause shall be inserted namely:-

“(aa) within ten days from the date of election of directors in a general meeting, the NBFC shall submit an application for appointment or reappointment of chief executive;”;
 - (b) for clause (b), the following shall be substituted, namely:-

“(b) in case of occurrence of any casual vacancy in respect of a director or a chief executive, the NBFC shall submit an application

within ten days;”;

(c) in clause (ba),-

(i) for the words “inform the Commission at least one month before the decision” the words “immediately inform the Commission” shall be substituted; and

(ii) in the proviso, for the words “this one month period” the words “a period of ten days” shall be substituted;

(3) in regulation 14, in sub-regulation (4), for clause (e) and the proviso, the following shall be substituted, namely:-

“(e) the maturity period of the Deposit shall not be less than three months and certificate of deposits shall not be redeemable before expiry of the maturity period:

Provided that the existing Certificates of Deposit shall be redeemable after forty five days of its issuance on the terms and conditions laid out in the deposits agreement or product disclosure statement;”;

(4) in regulation 17,-

(a) in sub-regulation (1), after the third proviso, for the full stop a colon shall be substituted and thereafter the following new proviso shall be inserted, namely:-

“Provided further that an infrastructure finance company and a non-deposit taking NBFC that is not involved in retail lending and provides finance to other NBFCs or financial institutions, may exceed the above limits by up to five percent and ten percent of its equity, respectively.

Explanation:- For the purposes of this regulation, the infrastructure finance company means an NBFC that deploys at least seventy per cent of its total assets in infrastructure finance for the infrastructure projects, which the Commission may notify through circular and is compliant with minimum equity and CAR requirement.”;

(b) in sub-regulation (2), after the fourth proviso, for the full stop a colon shall be substituted and thereafter the following new proviso shall be inserted, namely:-

“Provided further that an infrastructure finance company and a non-deposit taking NBFC that is not involved in retail lending and provides finance to other NBFCs or financial institutions, may exceed the above limits by up to five percent and ten percent of its equity, respectively.”; and

- (c) after the sub-regulation (4), the following new sub-regulation shall be inserted, namely:-

“(5) This regulation, with exception of sub-regulation (4), shall not apply to an NBFC not accessing Public Funds in Pakistan.

Explanation:- Public Funds include public deposits, inter-corporate deposits, bank finance and all funds received whether directly or indirectly from outside sources such as funds raised by issue of debentures, commercial papers, etc. Further, indirect receipts of public funds means funds received not directly but through associates and group entities which have access to public funds;”;

- (5) for regulation 18A, the following revised regulation shall be substituted, namely:-

“18A. Limit on Unsecured Finance. – A deposit taking NBFC may provide unsecured Finance up to Rs. 200,000/- (Rupees two hundred thousand only) to a single borrower while a non-deposit taking NBFC may provide unsecured Finance up to ten percent of its equity to a single borrower or a single group. The aggregate unsecured Finance shall not exceed equity of the NBFC:

Provided that the total unsecured finance shall not exceed fifty percent of the equity of the deposit taking NBFC provided further that this Regulation shall not be applicable in case of Non-Bank Micro Finance Company:

Provided further that all NBFCs shall determine their internal prudential limits, restrictions and requirements for unsecured exposure as per the credit and risk management policies duly approved by their Board, and shall submit reports to the Commission on a quarterly basis regarding such policies and unsecured finance provided thereunder, on such format as the Commission may notify through circular.”;

- (6) in regulation 19, in clause (e), in the proviso, for the semi colon a colon shall be substituted and thereafter the following new proviso shall be inserted, namely:-

“Provided further that a non-deposit taking NBFC may also take exposure against unsecured debt security or instrument issued by microfinance banks, NBFCs, scheduled banks and DFIs, as per its board’s approved credit and risk management policies;”;

- (7) in regulation 21,-

- (a) for sub-regulation (2), the following shall be substituted, namely:-

(2) In case of micro financing, the NBFC shall:

- (a) obtain a credit report from Credit Information Bureau of State Bank of Pakistan or any other appropriate credit information bureau before allowing any Finance exceeding Rs. 10,000/- or such other amount as may be specified by the Commission through notification from time to time; and
 - (b) comply with the requirements of State Bank of Pakistan regarding membership of Private Credit Bureaus under Credit Bureaus Act, 2015 (XI of 2015) within the time period stipulated by SBP and shall initiate data sharing accordingly.”;
- (b) after sub-regulation (5) and the table, the following new sub-regulations shall be inserted namely:-
 - “(5A) in case of the borrower being a small enterprise, the NBFC may obtain a copy of financial statements duly signed by the borrower if the amount of finance does not exceed Rs. 15 million.
 - (5B) in case of the borrower being a public company or a private company, which is subsidiary of a public company or a private company having paid up capital of three million rupees or more, the NBFC shall obtain copy of financial statements duly audited by a practicing chartered accountant, while in case of any other company, copy of financial statements audited by a practicing chartered accountant or a practicing cost and management accountant shall be obtained.”;
- (8) in regulation 25, in sub-regulation (1), for the semi colon at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-
 - “provided that after adoption and implementation of IFRS 9, the requirements of IFRS 9 shall be applicable”;
- (9) for regulation 25A, the following shall be substituted, namely:-
 - “25A. Creation of General Provision against micro finance portfolio and unsecured finance portfolio of Lending NBFCs:-** The NBFCs with micro finance portfolio and unsecured finance portfolio shall maintain a General Provision equivalent to 0.5 per cent of the net outstanding micro finance portfolio and one per cent of the net outstanding unsecured finance portfolio (Finance net of specific provisions for both), provided that general provision shall not be required in cases wherein Microfinance is secured against liquid assets with appropriate margins.”; and
- (10) in regulation 28,-
 - (a) in clause (e),-

(i) in sub-clause (ii), after the words “prospective consumer” the words “and the income of co-borrower can be clubbed after his written consent” shall be inserted;

(ii) in sub-clause (iii), after the words “purchase of” appearing for the second time, the words “constructed house or apartment or purchase of” shall be inserted;

(iii) for sub-clause (iv) and (v), the following shall be substituted, namely:-

“(iv) the maximum Loan-to-Value ratio shall not be more than eighty five percent provided that for low cost housing the Loan-to-Value ratio shall not be more than ninety percent. To qualify for low cost housing, the borrower shall fulfill the following criteria: (1) Housing unit/apartment having maximum value of Rs. 3 million, (2) covered area of up to 850 sq. ft., and (3) loan size up to Rs. 2.7 million;

(v) extend Finance up to maximum tenor of twenty five years in line with its duly approved credit policy that shall define the maximum tenor keeping in view the maturity profile of its assets and liabilities;”;

(iv) for sub-clause (vii) the following shall be substituted, namely:-

“(vii) either engage professional expertise or arrange sufficient training for their concerned officials to evaluate the property, assess the genuineness and integrity of the title documents, etc. provided that for housing finance involving property valuing more than Rs. 3 million, engaging professional valuer from list of approved valuers by Pakistan Banks Association shall be required. For the purpose of financing low cost housing units, NBFCs are allowed to apply the valuation of single unit on all the units of the same society/colony instead of conducting separate valuation for each unit constructed on the same layout and size;”;

(v) for sub-clause (ix) the following shall be substituted, namely:-

“(ix) arrange for the insurance/takaful of mortgaged property up to full value of finance in case of apartment and up to construction cost in case of house from approved insurance/ takaful companies;”;

(b) in clause (g),-

- (i) after sub-clause (iii) the following new sub-clauses shall be inserted, namely:-

“(iiia) prior to entering into agreement, highlight to the prospective client, the key contractual terms and conditions and disclose in precise form detailed information including but not limited to:

(a) mark-up rate- expected rate of mark-up that will be charged on the loan whether it is on fixed, variable or combination of fixed and variable rates.

(b) financing details- disclose amount and term of loan along with number of installments and the amount to be paid for each installment. For the finance on variable markup rate, the NBFC shall inform the client that the total repayment amount will be based on the benchmark/reference rate (KIBOR, bank rate, etc.) agreed at the time of signing of finance agreement and that it is likely to be changed during the term of the finance.

(c) lock-in Period and Early Settlement charges- indicate Lock-in period, if any, along with a calculation of charges/penalties, if the loan facility is terminated before the end of the lock-in period.

(d) fees and charges- enlist applicable fees and charges, and their nature, including implied charges/penalties.

(e) collateral- specify nature of the property/asset/valuable required as collateral, where applicable.

(f) contact details- provide details of Grievance redressal system/mechanism;

(iiib) adopt continuous disclosure during term of the loan contract in the following manner:

(a) notice of changes- notify the consumer in writing of any change in mark-up rate on a variable finance facility. This notification shall include: a) the date from which the new rate applies; and b) the revised repayment schedule.

(b) any other change, including but not limited to terms and conditions, features of product and the borrower’s rights and obligations shall be communicated at least before a period of thirty days. The mode of notification should be in any agreed mode in addition to display at business premises and websites of NBFC.”;

- (ii) in sub-clause (v) the word “and” at the end shall be omitted; and
- (iii) in sub-clause (vi) after the semi-colon at the end, the word “and” shall be inserted and thereafter the following new sub-clause shall be inserted, namely:-

“(vii) comply with the guidelines issued by the Commission on Grievance Redressal System for the microfinancing clients;”.

No. SCD/NBFC/NBFCR/2020-



(Ejaz Alam Khan)
Secretary to the Commission