STATE BANK OF PAKISTAN
PRUDENTIAL REGULATIONS

FOR CORPORATE /COMMERCIAL BANKING
(Risk Management, Corporate Governance and Operations)

(Revised till January 2015)

Disclaimer: State Bank of Pakistan compiles a booklet of Prudential Regulations from time to time for convenience of users. Updated version of such a booklet containing amendments in the regulations made through circulars/circular letters to date is being issued. Due care has been taken while incorporating amendments, however, errors and omission may be expected. In case of any ambiguity, users are advised to refer to the original circulars/ circular letters on the relevant subject(s), which are available on SBP's website (www.sbp.org.pk).

Contents - CORPORATE GOVERNANCE (G)

P R E F A C E

In order to align the regulatory framework to changing business environment and the best international practices, the State Bank of Pakistan, in consultation with stakeholders, has revised the Prudential Regulations on Risk Management, Corporate Governance and Operations for Corporate & Commercial Banking. The revised regulations aim to assist banks/DFIs in better addressing their unique risk factors and dynamic environment by giving more discretion in business decisions. These regulations also describe minimum prudential benchmarks in critical risk areas to balance the considerations of financial stability of banks/DFIs vis-à-vis diversity and innovation.

2) These Prudential Regulations do not supersede directives and instructions issued by the State Bank in respect of areas not covered under these regulations. Banks/DFIs that are compliant to the revised or new limits as introduced in these regulations shall follow the same instantly. However, such institutions which are in breach of these limits will have to achieve the compliance by 30-06-2015, unless otherwise specifically mentioned in the regulations.

3) Banks/DFIs are advised to ensure meticulous compliance of these Regulations in letter and spirit. Any non-compliance or circumvention of the requirements will attract punitive action under the provisions of the Banking Companies Ordinance, 1962.

SHAUKAT ZAMAN Director
Banking Policy & Regulations Department

REGULATION G-1

CORPORATE GOVERNANCE/BOARD OF DIRECTORS AND MANAGEMENT

The following guidelines are required to be followed by banks/DFIs incorporated in Pakistan. They will also follow 'Code of Corporate Governance' issued by the Securities & Exchange Commission of Pakistan (SECP) so long as any provision thereof does not conflict with any provision of the Banking Companies Ordinance, 1962, Prudential Regulations and the instructions/guidelines issued by the State Bank of Pakistan. Foreign banks are required to adhere to these guidelines wherever feasible and applicable. However, they need not necessarily seek approvalof their Board of Directors, as stipulated below in the case of local banks/DFIs:

A. FIT AND PROPERTEST

The "Fit and Proper Test" (FPT) is applicable on the sponsors (both individual & companies) who apply for a commercial banking license, the investors acquiring strategic/controlling stake in the banks/DFIs, major shareholders of the banking companies and for the appointment of Directors, CEO, and Key Executives of the banks/DFIs. The fitness & propriety will be assessed on the following broad elements (Annexure A):

a) Integrity, Honesty & Reputation
b) Track Record
c) Solvency & Integrity
d) Qualification & Experience
e) Conflict of Interest
f) Others

2. First three elements are applicable to all categories of individuals, whereas the last three elements will be considered while assessing the FPT of Directors, CEO& Key Executives of banks/DFIs. In addition to above requirements, sponsors and strategic investors are evaluated respectively in terms of "Guidelines & Criteria for setting up of a Commercial Bank" & "Criteria for Establishment of Islamic Commercial Banks" issued by SBP and Code of Corporate Governance issued by SECP.

3. The sponsors, the strategic investors, and appointment of the Directors and CEO require prior clearance in writing from SBP. The CEO and Key Executives shall be full time employees of the bank/DFI. The Directors and CEO will not assume the charge of their respective offices until their appointments are approved in writing by SBP. All the requests for seeking approval of SBP for appointment of Directors& CEO of the banks/DFIs should be routed through respective banks/DFIs along with information on Annexure-I & II (of Corporate Governance).

4. The appointment of Key Executives will not require prior clearance of SBP. However, Banks will seek State Bank's prior approval for overseas appointments.[1] Further, the banks/DFIs must themselves ensure while appointing Key Executives that they qualify FPT in letter and spirit. The information on appointment of Key Executive is required to be forwarded to SBP on prescribed format at Annexure-III (of Corporate Governance) within seven days of assumption of the charge of the post by the incumbent. The information submitted may be checked on post fact basis by Banking Inspection Department of SBP during inspection.

5. Further, to ensure compliance with SBP's FPT Criteria in respect of appointment on key positions, the Banks/DFIs shall conduct prior self assessment of the fitness and propriety of their Directors, Presidents/CEOs and Key Executives and furnish an undertaking to this effect as per enclosed

Annexure-IV(of Corporate Governance). Any FPT documents received without the undertaking shall not be considered by SBP.

6. Moreover, the appointment, compensation package (including retirement benefits), promotion/demotion and renewal of the employment contracts of Key Executives shall invariably be approved by the Board of Directors or the concerned Board Committee of the Bank/DFI. The Board of Directors shall also formulate an organization-wide rotation policy, inter-alia ensuring that the Key Executives are rotated appropriately after having served on a particular position for a reasonable time (five to six years). However, for those Key Executives who have already completed six years in the same position, the rotation should take effect immediately after implementation of rotation policy. Under extreme situations only, the positions of Head of IT, Treasury, HR, Islamic Banking, Legal, Company/Corporate Secretary, Chief Operating Officer (COO) and Deputy CEO/Deputy MD may be exempted from compulsory rotation. Further, the Banks/DFIs shall ensure that none of the posts of Key Executives shall be filled by an executive on acting/additional charge basis for more than three
(3) months.

7. The sponsors are required to seek prior approval of SBP along with the information at Annexure-II and other information as required in the "Guidelines & Criteria for Setting up a Commercial Bank" and" Criteria for Establishment of Islamic Commercial Banks". The strategic investors contemplating to acquire strategic/controlling stake are required to seek prior approval from SBP either directly or through the concerned department/Ministry of Government executing strategic sale transaction of the bank as required and provided in the transaction structure. The bank should also ensure to give prior intimation to SBP before dealing with any investors/bank/institutions/person for sale/purchase of sponsors/ strategic shares and seek approval of SBP for conducting due diligence of bank/DFI in terms of BPD Circular No. 8 of 2003.

8. The major shareholders are required to seek prior approval in writing from SBP for acquiring 5% or more shares along-with information on Annexure-II, with proper justification for holding more than 5% shares of the paid up capital. All the banks/DFIs are required to ensure that major shareholders have sought such an approval from SBP and place it on record.

9. Fit & Proper Test prescribed in the guideline is continuous in nature. All persons subject to FPT should immediately submit any change in the information already submitted (at the time of clearance) either through Company Secretary or Human Resources Department to Banking Policy and Regulations Department. Violation of the instructions, circumvention, concealment, misreporting and delay in submission of information to SBP may result in withdrawal of SBP approval, besides penal action under the provisions of BCO.

10. Deposit of sponsor shares in blocked account with Central Depository Company of Pakistan (CDC).[1]

a) All sponsor shares and subsequent right and bonus shares shall be deposited in a blocked account with CDC. The procedure for deposit of sponsor shares in the CDC blocked account is provided at Annexure-AA of Corporate Governance (BPRD Circular No. 04 of 2008).

b) No withdrawal of the sponsor shares from the blocked account would be allowed without prior written permission of SBP.

c) Blocked Account should be opened by the sponsor shareholders of banks exclusively for deposit of the sponsor shares and subsequent right and bonus shares issued thereon.

d) Charges for opening and operating of the blocked account with CDC will be borne by the sponsor shareholders.

e) These instructions shall not be applicable to the shareholding of Federal and Provincial governments in banks.

11. Every Chairman, Managing Director or Chief Executive Officer (by whatever name called) of a banking company shall furnish to the State Bank of Pakistan through the banking company returns on yearly basis containing full particulars of the extent and value of his holding of shares, whether directly or indirectly, in the banking company and of any change in the extent of such holding or any variation in the rights attaching thereto as per attached annexure (referred as Annexure-I in the circular) within 15 days of the close of each calendar year.[2]

B. RESPONSIBILITIES OF THE BOARD OF DIRECTORS:

1. The Board of Directors shall assume its role independent of the influence of the Management and should know its responsibilities and powers in clear terms. It should be ensured that the Board of Directors focus on policy making and general direction, oversight and supervision of the affairs and business of the bank/DFI and does not play any role in the day- to-day operations, as that is the role of the Management.
2. The Board shall approve and monitor the objectives, strategies and overall business plans of the institution and shall oversee that the affairs of the institution are carried out prudently within the framework of existing laws & regulations and high business ethics.
3. All the members of the Board should undertake and fulfill their duties & responsibilities keeping in view their legal obligations under all the applicable laws and regulations. All Board members should preferably attend at least 1-2 weeks training program(s) which will enable them to play effective role as a director of bank/DFI, at an institution like Pakistan Institute of Corporate Governance or other similar institution within first year of their directorship on the Board of bank/DFI. Further, the Company Secretary of the Banks/DFIs shall provide to all Board members the extracts from the relevant laws, rules and regulations regarding their powers, duties and responsibilities and keep them updated of any revisions/amendments therein.[1]

4. The Board shall clearly define the authorities and key responsibilities of both the Directors and the Senior Management without delegating its policy-making powers to the Management and shall ensure that the Management is in the hands of qualified personnel.

5. The Board shall approve and ensure implementation of policies, including but not limited to, in areas of Risk Management, Credit, Treasury & Investment, Internal Control System and Audit, IT Security, Human Resource, Expenditure, Accounting & Disclosure, and any other operational area which the Board and/or the Management may deem appropriate from time to time. The Board shall also be responsible to review and update existing policies periodically and whenever circumstances justify.

6. As regards Internal Audit or Internal Control, a separate department shall be created which shall be manned preferably by professionals responsible to conduct audit of the bank's/DFI's various Divisions, Offices, Units, Branches etc. in accordance with the guidelines of the Audit Manual duly approved by the Broad of Directors. The Head of this department will report directly to the Board of Directors or Board Committee on Internal Audit.

7. The business conditions and markets are ever changing and so are their requirements. The Board, therefore, is required to ensure existence of an effective 'Management Information System' to remain fully informed of the activities, operating performance and financial condition of the institution, the environment in which it operates, the various risks it is exposed

to and to evaluate performance of the Management at regular intervals.

8. The Board should meet frequently (preferably on monthly basis, but in any event, not less than once every quarter) and the individual directors of an institution should attend at least half of the meetings held in a financial year. The Board should ensure that it receives sufficient information from Management on the agenda items well in advance of each meeting to enable it to effectively participate in and contribute to each meeting. Any advisor, if appointed by the Board member, shall neither attend the Board meeting(s) on behalf of the Board member nor shall regularly sit in the Board meeting(s) as an observer or any other capacity. Further, the banks/DFIs, incorporated in Pakistan, shall submit certified copies of the minutes of meeting of their Board of Directors (BoD) and the General Meetings /Extra Ordinary General Meetings (AGMs/EOGMs), within twenty one days of the date of the meeting to the Director, Off-site Supervision and Enforcement Department, State Bank of Pakistan, Karachi. It may be ensured that the minutes also contain the details of matters decided/resolved through circulation. The minutes may be forwarded in the form of hard copies, duly certified by the company secretary along with soft copies on a floppy diskette/compact disk.[2]

9. The Board should carry out its responsibilities in such a way that the external auditors and supervisors can see and form judgment on the quality of Board's work and its contributions through proper and detailed minutes of the deliberations held and decisions taken during the Board meetings.

10. To share the load of activities, the Board may form specialized committees with well-defined objectives, authorities and tenure. These committees, comprising of at least one non-executive Board member, shall oversee areas like Audit, Risk Management, Credit, and Recruitment, Remuneration & Nomination. The Chairman of the Board shall not be member of the aforementioned committees. Further, the Audit Committee of the Board shall invariably be chaired by an Independent Director. These committees of the Board should neither indulge in day-to-day affairs/operations of the bank nor enjoy any credit approval authority for transaction/limits. These committees should apprise the Board of their activities and achievements on regular basis.[1]

11. The Board should ensure that it receives management letter from the external auditors without delay. It should also be ensured that appropriate action is taken in consultation with the Audit Committee of the Board to deal with control or other weaknesses identified in the management letter. A copy of that letter should be submitted to the State Bank of Pakistan so that it can monitor follow-up actions.

12. Whenever the Board of Directors/relevant appointing/removing authority of a bank/DFI considers to remove its President/Chief Executive Officer/Country Head/Country Manager before the expiration of his/her term of office through the defined statutory process, State Bank of Pakistan (SBP) must invariably be informed at least two months ahead of the implementation of such decision along-with the reasons for the same.[2]

13. The President/CEO/Country Head/Country Manager, wherever, decides to tender resignation before completion of his/her term of office, he/she must inform SBP at least two months before tendering resignation.

14. The Chairman of the Board of Directors/relevant removing authority of bank/DFI would be responsible for submission of the requisite information to SBP.

15. Acting CEO appointed pursuant to resignation/removal of the CEO is invariably required to meet the FPT Criteria prescribed for the CEO and the Banks/DFIs shall duly submit FPT documents of such person to SBP before assumption of charge. In case of temporary vacation (not exceeding one month) of the office of CEO, the Banks/DFIs shall ensure to entrust charge of the office of CEO to such an officer who meets the FPT Criteria prescribed for Key Executives and whose FPT documents have already been submitted to SBP.

16. The banks incorporated in Pakistan having foreign participation/equity can hold board meetings abroad in following manner in a calendar year[4]:

17. i.	Banks having more than 51% foreign shareholding and minimum two directors residing abroad.	Maximum of 4 Board Meetings.
ii.	Banks having more than 40% foreign shareholding and minimum one director residing abroad.	3 Board Meetings.
iii.	Banks having up to 40% foreign shareholding and minimum one director residing abroad.	1 Board Meeting.

17. The bank concerned will, however, only inform SBP in writing before its Board Meeting abroad in accordance with the above instructions. The banks/DFIs are advised to hold BoDs meetings at the place of residence of foreign directors. Further, those having no foreign shareholding and directorship shall not be allowed BoDs meetings abroad. They are also encouraged to make maximum use of video conferencing facilities for Board Meetings.

C. MANAGEMENT:

No member of the Board of Directors of a bank/DFI holding 5% or more of the paid-up capital of the bank/DFI either individually or in concert with family members or concerns /companies in whichhe/she has the controlling interest, shall be appointed in the bank /DFI in any capacity except as Chief Executive of the bank/DFI. Further, maximum two members of Board of Directors of a bank/DFI including its CEO can be the Executive Directors.

2. The banks/DFIs during a calendar year may pay a reasonable and appropriate remuneration for attending the Board or its committee(s) meeting(s), to their non-executive directors and chairman. The scale of remuneration to be paid to the non-executive directors and chairman for attending the Board and/or committee meetings shall be approved by the shareholders on a pre or post facto basis in the Annual General Meeting (AGM). However, no such remuneration shall be paid to the executive directors except usual TA/DA as per bank's/DFI's standard rules and regulations. No consultancy or allied work will be awarded to the directors or to the firms/institutions/companies etc. in which they hold substantial interest. Further, the administrative expenses pertaining to the office, staff and security allocated to the Chairman of the Board should be determined rationally.[1]

3. Chairman of the Board of Directors may, if deemed necessary, appoint one advisor to advise and facilitate him in discharge of his duties/responsibilities. The appointment of such an advisor will be subject to the following conditions:

a) The advisor must possess the required technical experience relating to banking and finance at a senior level to enable him /her to render a professional advice to the Board.
b) The terms of reference of the advisor shall be approved by the Board.

c) A reasonable remuneration may be paid to the advisor with the approval of the Board of Directors.

d) The advisor may attend the meetings of Board of Directors and Board Committees in which his/her participation is required but he/she will not be a member of the Board and/or its committees.

e) The advisor shall be required to sign an appropriate confidentiality agreement to ensure confidentiality of documents/information that may come to his/her knowledge, before assuming any such role.[2]

D. COMPLIANCE OFFICER:

Banks/DFIs shall put in place a Compliance Program to ensure that all relevant laws are complied with, in letter and spirit, and, thus, minimize legal and regulatory risks. For this purpose, the Board of Directors, or Country Manager in case of foreign banks, shall appoint/designate a suitably qualified and experienced person as Compliance Officer on a countrywide basis, who may be assisted by other Compliance Officers down the line. The Head of Compliance will report directly to the President/Chief Executive Officer of the bank/DFI. The Compliance Officers will primarily be responsible for banks/DFI's effective compliance relating to:

(a) SBP Prudential Regulations.

(b) Relevant provisions of existing laws and regulations.

(c) Guidelines for KYC.

(d) Anti money laundering laws and regulations.

(e) Timely submission of accurate data/returns to regulator and other agencies.

(f) Monitor and report suspicious transactions to President/Chief Executive Officer of the bank/DFI and other related agencies.

2. Banks/DFIs are, however, free to add other areas of compliance under the responsibilities of Compliance Officer and consider setting up a compliance committee under him, as they deem fit to protect the interest of the institution.

3. The Compliance Officers will (i) serve as a contact point between President/Chief Executive Officer and senior management, with regard to functioning of the compliance program (ii) provide assistance in this area to branches and other departments of the bank/DFI, and (iii) act as liaison with State Bank of Pakistan concerning the issues related to compliance.'

E. Banks/DFIs are, therefore, advised to put in place, in writing, a complete program of compliance down the line under the supervision of a Compliance Officer.

F. FITNESS AND PROPRIETY OF KEY EXECUTIVES:

Banks/DFIs shall strictly follow the guidelines contained in the 'Fit and Proper Test' (FPT) during the course of appointment of key executives.

2. The banks/DFIs should also develop and implement appropriate screening procedures to ensure high standards and integrity at the time of hiring all employees, whether contractual or permanent.

3. In case it is found at subsequent stage/during the course of inspection that guidelines of FPT have not been followed or the incumbent is not a fit and proper person, strict punitive action will be taken under the relevant provisions of Banking Companies Ordinance 1962, in addition to directing the banks/DFIs to dispense with the services of concerned officer if recruited afresh; and in case of existing employee, the same to be transferred from the post immediately.

REGULATION G-2

DEALING WITH DIRECTORS, MAJOR SHARE-HOLDERS AND EMPLOYEES OF THE BANKS/DFIs

Banks/DFIs shall not enter into leasing, renting and sale/purchase of any kind with their directors, officers, employees or such persons who either individually or in concert with family members beneficially own 5% or more of the equity of the bank/DFI. This restriction does not apply in case of purchase of vehicles, laptops, mobile phone devices and iPads[1] by the paid directors, officers or employees of the banks/DFIs which remained in their own use, provided such sale is covered under the employees service rules duly approved by the Board of Directors of the banks/DFIs and is effected by the banks/DFIs at least at book value at the date of such transaction.

2. Banks/DFIs shall not:

a) take unsecured exposure on, or take exposure against the guarantee of:

i) any of their directors;

ii) any of the family members of any of their directors;

iii) any firm or private company in which the bank/DFI or any of the persons referred to in (i) or (ii) are interested as director, proprietor or partner; or

iv) any public limited company in which the bank/DFI or any of the persons as aforesaid are substantially interested; and

v) their Chief Executive and shareholders holding 5% or more of the share capital of the bank/DFI, including their spouses, parents, and children or to firms and companies in which they are interested as partners, directors or shareholders holding 5% or more of the share capital of that concern.

b) take any exposure on any of their directors or to individuals, firms or companies in which they or any of their directors, either directly in the borrowing entity or in any of its group companies, hold key management positions, or are interested as partner, director or guarantor, as the case may be, their Chief Executives and shareholders holding 5% or more of the share capital of the bank/DFI, including their spouses, parents, and children or to firms and companies in which they are interested as partners, directors or shareholders holding 5% or more of the share capital of that concern, without the approval of the majority of the directors of that bank/DFI excluding the director concerned. The facilities to the persons mentioned above shall be extended at market terms and conditions and be dealt with at arm length basis.

REGULATION G-3

CONTRIBUTIONS AND DONATIONS FOR CHARITABLE, SOCIAL, EDUCATIONAL AND PUBLIC WELFARE PURPOSES

Banks/DFIs shall strictly observe the following rules in the matter of making any donation/contribution for charitable, social, educational or public welfare purposes:

i. The total donations/contributions made by the bank/DFI during the year shall not exceed such amount as approved by their Board of Directors. It is expected that banks/DFIs making these donations/contributions would have already met provisioning and capital adequacy requirements.

i) The banks/DFIs shall develop policy/guidelines duly approved by the Board of Directors for making donations/contributions.

2. All donations or contributions to be made during the year must be specifically approved by the Board of Directors on pre or post facto basis as convenient.

3. Banks/DFIs are further directed to expressly disclose in their annual audited financial statements the total donation/contribution made during the year along with names of donees, to whom total donations/ contributions during the year were made in excess of Rs 100,000/. In the case of donations where any director or his family members have interest in the donee, the names of such directors, their interest in the donee and the names and addresses of all donees, shall also be given.

REGULATION G-4

CREDIT RATING

With a view to safeguard the interest of prospective investors, depositors and creditors, it shall be mandatory for all banks/DFIs to have themselves credit rated by a credit rating agency on the approved panel of the State Bank of Pakistan.

2. Foreign banks which are credit rated by M/s. Standard & Poor, Moody's Fitch-Ibca and Japan Credit Rating Agency (JCRA) are given a minimum rating of A3/A- and above shall be exempt from the application of this requirement. All other foreign banks have to go through credit rating process in Pakistan.

3. The credit rating will be an ongoing process i.e. credit rating should be updated on a continuous basis from year to year, within six months from the date of close of each financial year and the rating report complete in all respects be submitted to the State Bank of Pakistan and made public within a period of seven days of the notification of rating by the credit rating agency. Further, the banks/DFIs will disclose their credit rating prominently in their published annual and quarterly financial statements.

CORPORATE GOVERNANCE ANNEXURES- ASSESSMENT OF FITNESS AND PROPRIETY --- Annexure A

1. INTEGRITY, HONESTY AND REPUTATION

i) Has not been convicted/involved in any fraud/forgery, financial crime etc, in Pakistan or elsewhere, or is not being subject to any pending proceedings leading to such a conviction.

ii) Has not been subject to any adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial matters/business, misconduct, fraud, formation or management of a corporate body etc by SBP, other regulatory authorities (within or outside Pakistan), professional bodies or government bodies/agencies.

iii) Has not contravened any of the requirements and standards of SBP or the equivalent standards/requirements of other regulatory authorities (outside Pakistan as well), professional bodies or government bodies/agencies.

iv) Has not been involved with (management or conduct of the affairs of) a company/firm or any other organization that has been refused registration/licence to carry out trade, business etc.

v) Has not been involved with (management or conduct of the affairs of) a company/firm whose registration/licence has been revoked or cancelled or gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or mal practices.

vi) Has not been debarred for being Chief Executive, Chairman, Director, Controlling Shareholder/Sponsor or Key Executive of a company/firm or in similar capacity.

2. TRACK RECORD

i) The person must have an impeccable track record in the companies served either in the capacity of an employee or director/Chief Executive or as Chairman.

ii) Has not been demoted, dismissed or forced to resign from employment by the bank/DFI, or has not been removed by any regulator or government body, in the capacity of employee, director, chairman or key executive of the company/firm or any other position of trust.

3. SOLVENCY & FINANCIAL INTEGRITY

i) Has not been associated with any illegal activity concerning banking business, deposit taking, financial dealing and other business.

ii) Has not been in default of payment of dues owed to any financial institution and/ or default in payment of any taxes in individual capacity or as proprietary concern or any partnership firm or in any private unlisted/listed company.

iii) Has not been associated as director and/or chief executive with the corporate bodies who have defaulted in payment of Government duties/taxes etc.

iv) Has sufficient means to discharge his/her financial obligations, if any.

4. QUALIFICATION & EXPERIENCE

This section shall apply separately for Directors, CEO and Key Executives of Banks/DFIs as under: -

i. Directors on the Board

a. Must have management/business experience of at least 5 years at senior level in an active capacity. In case of lawyers, 7 years experience is required, provided that they are not practicing/involved with or acting as legal counsel/adviser or on payroll of a bank where he is proposed to be appointed as director.

b. Minimum qualification for a person to be appointed as Director on the Board of a bank/DFI is graduation. Higher education accomplished in the discipline of banking and finance may be an added qualification.

ii. Chief Executive Officer

a. Must be a career banker having at least 5 years of experience at senior level as EVP and above or equivalent i.e. Group Head of Financial/Business Line in a bank and posses expertise and skill set to undertake responsibilities of the position effectively and prudently.

b. Should be between 40 to 70 years of age.

c. Should have minimum qualification of graduation or equivalent in the discipline of banking, finance, economics, business administration and related fields. CEO of the Islamic Bank should preferably be having experience/training in Islamic Banking.

iii. Key Executive

a. Must be a qualified professional possessing relevant experience & degree relating to the job/assignment.

5. CONFLICT OF INTEREST

i. The CEO is not a Chairman of the Board of Directors of the same bank/DFI .
ii. The Directors on the Board should avoid conflict of interest in their activities with, and commitments to, other organizations.
iii. Is not a director (including as a nominee director of the Government) of any other bank/DFI. However, this clause will not be applicable in case of Managing Director and other employees of National Investment Trust (NIT) nominated on the Board of banks/DFIs, till its privatization.
iv. No person can become a Director of the bank/DFI, if he/she is :
    a. Holding substantial interest or is working as Chairman, Director, Chief Executive, Chief Financial Officer, Chief Internal Auditor, Research Analyst or Trader (by whatever name/designation called) of a:
        i. Exchange Company (firm or sole proprietorship)
        ii. Member of a Stock Exchange
        iii. Corporate Brokerage House
        iv. Any company/entity owned and controlled by the person mentioned at (i) to (iii) above
    b. Acting, either in personal capacity and/or through firm/ company where he/she has substantial interest, as consultant /advisor to bank/DFI in which he/she intends to become a director.

6. OTHERS

i. Not more than 25% directors of the same family are permitted to be on the Board of a bank/DFI.
ii. Maximum two members of Board of Directors of a bank/DFI including its CEO can be the Executive Directors.
iii. Directors should preferably be professionals from diversified field/industry. However, a minimum of 25% members of Board of Directors of a bank/DFI shall be Independent Directors.
iv. No member of Senate, National/ Provincial Assembly, Local bodies shall be appointed/ recommended for appointment as Member of Board of Directors and/or Chief Executive Officer/Key Executive of any bank/DFI.
v. No Key Executive shall head more than one functional area. Furthermore, he/she shall not hold directorship in his /her personal capacity: (a) in a business concern which is also a client of the bank/DFI, and (b) in any other financial institution.