

[Schedule IX

FIT AND PROPER CRITERIA

[see Rule 3 and Regulations 2(1)(xvii) and 10⁴⁴³[and Rule 4(c) of VPS Rules 2005]]

DEFINITIONS

⁴⁴⁴["Form of Business", for the purpose of this Schedule, shall include form of business as mentioned in Regulation 3 and Pension Fund Scheme Business, "Key Executive" means key executives of an entity licensed to undertake any form of business and includes, inter alia, the persons discharging the following functional responsibilities,]

- a. Any executive, officer acting as second to chief executive officer including chief operating officer or by whatever name called;
- b. any person responsible for heading any specific licensed form of business
- c. chief financial officer, head of accounts or head of finance;
- d. head of internal audit;
- e. head of information technology;
- f. head of credit or risk management;
- g. head of human resource;
- h. head of operations;
- i. head of marketing/sales;
- j. head of research;
- k. head of treasury;
- l. chief investment officer;
- m. head of law, company secretary or compliance officer;
- n. fund manager; and
- o. any other functional responsibility which the Commission may include.

APPLICATION AND SCOPE

⁴⁴⁵(1) [The Fit and Proper Criteria in relation to a form of business is applicable to the following persons:

- i. promoters and major shareholders;
- ii. Director;
- iii. Chief Executive; and
- iv. Key Executives.]

⁴⁴³ Inserted vide SRO 297(1)/2024 dated 22 February 2024

⁴⁴⁴ Substituted for the text "'Key Executive" means key executives of the NBFC, Investment Company and includes, inter alia, the persons discharging the following functional responsibilities,-" vide SRO 592(I)/2023 dated 17 May 2023

⁴⁴⁵ Substituted for the text "The Fit and Proper Criteria in relation to an NBFC and Investment Company is applicable to the following persons:

(i) promoters and major shareholders of the NBFC and Investment Company;

(ii) director of the NBFC and Investment Company;

(iii) chief executive of the NBFC and Investment Company;

(iv) Key Executives of the NBFC and Investment Company." Vide SRO 592(I)/2023 dated 17 May 2023

⁴⁴⁶[2) A proposed director or chief executive shall not assume the charge of office until their appointment has been approved by the Commission.

(3) The application for seeking approval of the Commission under clause (2) shall be submitted along with the requisite information required under Annexure “A” and an Affidavit as specified in Annexure “B”.

(4) The appointment of Key Executives does not require the approval of the Commission; however, the person subject to Fit and Proper Criteria shall ensure at the time of appointing a Key Executive that such person qualifies the Fit and Proper Criteria.]

(5) The fitness and propriety of any person shall be assessed by taking into account all the relevant factors including but not limited to the following:

- (a) Integrity and track record of such person;
- (b) Financial soundness of such a person;
- (c) Competence and capability of the person; and
- ⁴⁴⁷[(d) Conflict of interest of such person with the business.

“Provided that 5(c) and (d) may not be considered while assessing the fitness & propriety of promoters and major shareholder.

Provided further that in case the sponsor and major shareholder is a body corporate, in addition to the relevant/applicable clauses, corporate behavior of the said body corporate and integrity & track record of the sponsor and ultimate beneficial owners of such corporate body shall be duly considered.

Explanation: For the purpose of this clause, the term “ultimate beneficial owner” shall have the similar meaning as defined under 123A of the Companies Act, 2017.]

⁴⁴⁸[(6) The Fit and Proper Criteria is perpetual in nature and the person subject to Fit and Proper Criteria shall ensure compliance with the provisions of Fit and Proper Criteria.]

446 Substituted for the text “(2) A 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.

(3) The application for seeking approval of the Commission under clause (2) shall be submitted by the NBFC and Investment Company along with the requisite information required under Annexure “A” and an Affidavit as specified in Annexure “B”.

(4) The appointment of Key Executives of an NBFC and Investment Company does not require the approval of the Commission; however an NBFC and Investment Company shall ensure at the time of appointing a Key Executive that such person qualifies the Fit and Proper Criteria.” Vide SRO 592(I)/2023 dated 17 May 2023

447 Substituted for the text “(d) Conflict of interest of such person with the business of the NBFC and Investment Company.

Provided that 5(c) and (d) may not be considered while assessing the fitness & propriety of promoters and major shareholder of the NBFC and Investment Company.

[Provided further that in case the sponsor and major shareholder is a body corporate, in addition to the relevant/applicable clauses, corporate behavior of the said body corporate and integrity & track record of the sponsor and ultimate beneficial owners of such corporate body shall be duly considered.

Explanation: Ultimate beneficial owners for the purpose of this clause means natural person or individual who ultimately own 10% or more ownership or control the body corporate.]⁴⁴⁷

“ vide SRO 592(I)/2023 dated 17 May 2023

448 Substituted for the text “(6) The Fit and Proper Criteria is perpetual in nature and an NBFC, Investment Company shall ensure compliance with the provisions of Fit and Proper Criteria.” Vide SRO 592(I)/2023 dated 17 May 2023

⁴⁴⁹[omitted]

⁴⁵⁰[(8) All persons subject to Fit and Proper Criteria shall report any change with reference to their fitness and propriety to the Company Secretary within three business days of such change taking effect and the Company Secretary subject to Fit and Proper Criteria shall within a period of seven business days from the date of receipt, report the same to the Commission.]

⁴⁵¹[(9) The companies engaged in respective form of business shall monitor whether any change in the status of its chief executive, directors and key executives is contrary to the requirements of the Fit and Proper Criteria. In case of any change in status, results in non-compliance with the Fit and Proper Criteria, the Board of companies engaged in respective form of business shall immediately stop the person from performing his assigned functions, shall inform the Commission and initiate the process for replacement of the individual with a fit and proper individual.]

(10) Any violations or circumvention of the Fit and Proper Criteria shall be dealt with under the provisions of the Ordinance.

ASSESSMENT OF FITNESS AND PROPRIETY

(a) Integrity and Track Record

A person shall not be considered Fit and Proper if he:

- (i) has been convicted of an offence involving moral turpitude;
- ⁴⁵²[(ii) has been convicted of mismanagement of investments, financial or business misconduct, fraud etc.
- (iii) has been convicted, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;]
- (iv) has been actively involved in the management of a company or firm whose registration or license has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or

449 Deleted the text “(7) The NBFC and Investment Company shall within 30 days of the close of each calendar year submit the following documents with regard to its chief executive and directors:

(a) Updated resume;

(b) CIB reports of the chief executive and directors and the companies, firms, sole proprietorships, etc. where they are acting as directors, chief executives, partners or owners; and

(c) Latest tax returns.” vide SRO 639 (I)/2019 dated 20 June 2019

450 Substituted for the text “(8) All persons subject to Fit and Proper Criteria shall report any change with reference to their fitness and propriety to the respective NBFCs and Investment Company within three business days of such change taking effect and NBFCs shall within a period of seven business days from the date of receipt, report the same to the Commission.” Vide SRO 592(I)/2023 dated 17 May 2023

451 Substituted for the text “(9) NBFC and Investment Company shall monitor whether any change in the status of its chief executive, directors and key executives is contrary to the requirements of the Fit and Proper Criteria. In case of any change in status result in non-compliance with the Fit and Proper Criteria, the NBFC and Investment Company shall immediately stop the person from performing his assigned functions, informs the Commission and initiate the process for replacement of the individual with a fit and proper individual.” Vide SRO 592(I)/2023 dated 17 May 2023

452 Substituted for the text “(ii) has been involved in the mismanagement of investments, financial or business misconduct, fraud etcetera;

(iii) has been the subject to adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;” vide SRO 592(I)/2023 dated 17 May 2023

malpractices ⁴⁵³[:

Provided that in case of non-executive nominee directors representing institutional interest and who otherwise do not have any personal interest, the Commission may, after seeking explanation and if satisfied, after reasons to be recorded in writing, relax this requirement on case to case basis subject to such conditions as it may deem fit.]

(v) is ineligible, under the Ordinance or any other legislation or regulation, from acting as a director or serving in a managerial capacity of an NBFC or a company;

(vi) has entered into a plea bargain arrangement with the National Accountability Bureau⁴⁵⁴[:

⁴⁵⁵[]

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⁴⁵⁶[(vii) in case of promoters or major shareholder, does not have the requisite disclosed and verifiable financial resources.]

⁴⁵⁷[(viii) has been convicted in criminal breach of trust, fraud, offences of terrorism financing or money laundering including predicate offences as provided in the Anti-Money Laundering (AML) Act, 2010, laws make thereunder, or any other AML/ CFT (Countering Financing of Terrorism) requirements notified by the Commission, and is a proscribed persons, either convicted or not, “as mentioned in the notifications issued by the Ministry of Foreign Affairs on United Nations Security Councils Resolutions or intimation from National Counter Terrorism Authority/ Law Enforcement Agencies/ Home Departments of Provinces/ Ministry of Interior.]

⁴⁵⁸[omitted]

(b) Financial soundness

In determining a person’s financial soundness, the following shall be considered:

(i) whether such person’s financial statements or record including wealth statements or income tax returns or assessment orders are available;

(ii) whether the person has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;

⁴⁵⁹[(iii) whether any instance of overdue or past due payment to a financial institution,

453 Inserted vide SRO 581(I)/2021 dated 20 May 2021

454 Inserted vide SRO 581(I)/2021 dated 20 May 2021

455 Deleted the text vide SRO 592(I)/2023 dated 17 May 2023

456 Substituted for the text “(vii) in case of promoters or major shareholder of NBFC and Investment Company, does not have the requisite disclosed and verifiable financial resources; and” vide SRO 592(I)/2023 dated 17 May 2023

457 Inserted vide SRO 592(I)/2023 dated 17 May 2023

458 Deleted the text “(viii) in case of promoters or major shareholders of NBFC and Investment Company, does not have an established and proven track record of successfully running a business enterprise for 3 to 5 years, preferably a public listed company.” vide SRO 581(I)/2021 dated 20 May 2021

459 Substituted for the words “(iii) whether any instance of overdue payments or default to a financial institution or write-offs by a financial institution are appearing in the latest Credit Information Bureau report of the person and of the companies, firms, sole proprietorships etc. where the person was a chief executive, director (major shareholder/ sponsor), partner, owner etc.” vide SRO 434(I)/2016 dated 20 May 2016.

irrespective of amount, is appearing in the overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc.

Provided that the Commission shall provide an opportunity of making representation to the person in case of overdue or past due payment;

Provided further that the following exceptions may be granted by the Commission for the purpose of this sub-clause in case where:-

- (a) Amount overdue is under litigation and the same is also appearing as amount under litigation in the CIB report; and
- (b) No overdue payment appearing in the overdue column in the subsequent latest CIB report;]
- (iv) whether the person has applied to be adjudicated as an insolvent and his application is pending;
- (v) whether the person is an un-discharged insolvent; and
- (vi) whether the person has been declared a defaulter by a stock exchange.

(c) Competence and Capability

In determining a person's competence and capability the following shall be considered:

- (i) the directors should be individuals having management or business experience of at least five years at a senior level;

⁴⁶⁰[Provided that this condition shall not apply in case of sponsor directors, however, conditions prescribed in Schedule I of the NBFC Rules, 2003 shall apply.]

- ⁴⁶¹[(ii) the directors shall have experience and knowledge in any related profession such as banking, accounting, law, internal audit or information technology etc.]

- (iii) the chief executive should have a minimum experience of seven to ten years in a senior management position, preferably in the regulated financial services sector;

⁴⁶²[Provided that chief executive officer of a lending NBFC offering services through digital mode should have a minimum experience of three years in a senior management position, preferably in the regulated financial services sector;

⁴⁶⁰ Substituted for the text "Provided that this condition shall not apply in case of directors of Non-Banking Microfinance Companies and such companies shall comply with conditions applicable as per Schedule I of the NBFC Rules, 2003." vide SRO 581(I)/2021 dated 20 May 2021

⁴⁶¹ Substituted for the text "(ii) the directors shall have experience and knowledge in any profession such as banking, Collective Investment Scheme, accounting, law, internal audit or information technology etc. ⁴⁶¹["

Provided that for Non-Bank Micro Finance Companies, the directors having experience and knowledge in professions such as economics, social sector, development sector, microfinance sector etc. shall also be considered;" vide SRO 592(I)/2023 dated 17 May 2023

⁴⁶² Inserted vide SRO 2120(I)/2025 dated 11 November 2025

Provided further that such lending NBFC shall have at least one non-executive director with experience of seven to ten years preferably in the regulated financial services sector]

(iv) the chief executive should have demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position; and

⁴⁶³[(iva) where the Commission is not satisfied on sufficiency of the suitability criteria, it may conduct an interview of the chief executive to assess his/her suitability for the position.]

(v) the key executives must be qualified professionals possessing relevant experience and certification relating to the job or assignment.

(d) Conflict of interest

⁴⁶⁴[The directors or chief executive shall not:]

⁴⁶⁵[(i) be a director in any ⁴⁶⁶[NBFC or] entity licensed to undertake any ⁴⁶⁷[] similar form of business engaged ⁴⁶⁸[] in Pakistan.]

(ii) be a director, chief executive, chief financial officer, chief internal auditor, research analyst or a trader (by whatever name or designation called) in a stock brokerage house or in any company or entity owned and controlled by a member of a stock exchange; and

(iii) be a member of a stock exchange engaged in the business of brokerage or is a spouse of such member or in control of more than 20% shareholding, directly or indirectly through his close relatives.

⁴⁶⁹[Provided that the condition given in point (ii) and (iii) above, shall not apply to the Non-deposit taking lending NBFCs.]

In case of Key Executives, the person subject to Fit and Proper Criteria must ensure that

⁴⁶³ Inserted vide SRO 581(I)/2021 dated 20 May 2021

⁴⁶⁴ Substituted for the text “The directors or chief executive of NBFC and Investment Company shall not:” vide SRO 592(I)/2023 dated 17 May 2023

⁴⁶⁵ Substituted for the text “(i) be a director in any other NBFC and Investment Company engaged in a similar business in Pakistan.

⁴⁶⁵[omitted]

⁴⁶⁵[Provided further that this condition shall not apply to chief executive of Non- Bank Micro Finance Companies up till June 30, 2017 and shall not apply to directors of Non- Bank Micro Finance Companies up till December 31, 2017;]” vide SRO 592(I)/2023 dated 17 May 2023

⁴⁶⁶ Inserted vide SRO 2120(I)/2025 dated 11 November 2025

⁴⁶⁷ Omitted the expression “word” vide SRO 2120(I)/2025 dated 11 November 2025

⁴⁶⁸ Omitted the expression “in a similar activity” vide SRO 2120(I)/2025 dated 11 November 2025

⁴⁶⁹ Substituted for the text “ Provided that the condition given in point (ii) and (iii) above, shall not apply to the Non-deposit taking lending NBFCs.

In case of Key Executives, the NBFCs and Investment Company must ensure that no Key Executive shall head more than one functional area that give rise to conflict of interest within the organization. For example, the departments of audit and accounts shall not be headed by the same person. Further, a key executive shall not hold directorship in his or her personal capacity:

(a) in a business concern which is also a client of the NBFC, Investment Company and

(b) in any other financial institution.” Vide SRO 592(I)/2023 dated 17 May 2023

no Key Executive shall head more than one functional area that give rise to conflict of interest within the organization. For example, the departments of audit and accounts shall not be headed by the same person. Further, a key executive shall not hold directorship in his or her personal capacity:

- (a) in a business concern which is also a client of the person subject to Fit and Proper Criteria; and
- (b) in any other financial institution.]

Annexure A

⁴⁷⁰[(a) Information to be provided by promoters, major shareholders (other than a body

470 Substituted for the text “(a) Information to be provided by promoters, major shareholders (other than a body corporate), proposed directors and proposed chief executive of the NBFC and Investment Company

1.	Curriculum Vitae/Resume containing:
A	Name: (former name if any):
B	Father’s or Husband Name:
C	C.N.I.C # / Passport # (In case of foreign nationals) –(attach copy)
D	Latest photograph
E	Nationality:
F	Age:
G	Contact details:
	i) Residential address:
	ii) Business address:
	iii) Tel:
	iv) Mobile:
	v) Fax:
	vi) E-mail:
G	National Tax Number:
H	Present occupation:
470[i	Details of Academic and Professional Qualifications: (Attach Copy). Board of Directors of NBFC shall ensure verification of credentials and degrees of the Chief Executive]
J	Trainings
K	Experience: Position held during the last ten years (along with name and address of company/institution/ body where appointment held, nature of the company/institution/body and dates of appointment). 470[]
2.	Status of directorship Shareholder <input type="checkbox"/> Nominee <input type="checkbox"/> Name of the shareholders/ Group of shareholders he is representing Nature of directorship Executive <input type="checkbox"/> Non-executive <input type="checkbox"/> Independent <input type="checkbox"/> Non-independent <input type="checkbox"/> Number of shares subscribed or held _____ 470[Personal net worth (copy of wealth statement for other than nominee directors of body corporate and independent directors)] _____
3.	Names of companies, firms, sole proprietorships and other organizations of which the proposed person is a chief executive, director, partner, owner, office holder or major shareholder.
4.	(1) CIB report issued by SBP for the companies, firms, sole proprietorships, etc. where the applicant is interested as director (sponsor or major shareholder), chief executive, partner or owner (attach original CIB reports)
	(2) An undertaking providing details of the following: I. Any write off availed from any financial institution during the last five years II. Any default of Finance obtained from any financial institution during the last five years. III. Placement on ECL during the last five years IV. Any conviction from any Court of Law or any plea bargain with NAB during the last ten years V. Any write off or default by any related or affiliated person or by any company on whom the applicant or anyone closely related to him had an interest as sponsor, major shareholder, director, chief executive, key executives, etc. during the last five years 470[VI.The person and the companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc. has no overdue payment of any financial institution.]
5.	In the case of appointment of directors the date of board of directors’ meeting in which the appointment of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors. If the director is elected, then attach a copy of the minutes of the general meeting of the company.)

corporate), proposed directors and proposed chief executive:

1.	Personal and Professional Details:
a.	Name: (former name if any):
b.	C.N.I.C # / Passport # (In case of foreign nationals) –(attach copy)
c.	Contact details:
	i) Address:
	ii) Mobile:
	iii) E-mail:
d.	Present occupation:
e.	Details of Academic and Professional Qualifications: Board of Directors of NBFC engaged in respective form of business shall ensure verification of credentials and degrees of the Chief Executive
f.	Trainings
g.	Experience and Other Directorships: Position and other Directorships held during the last ten years (along with name and address of company/institution/body where appointment/directorship held, nature of the company/institution/body and dates of appointment/directorship.
2.	Status of directorship Shareholder <input type="checkbox"/> Nominee <input type="checkbox"/> Name of the shareholders/ Group of shareholders he is representing Nature of directorship Executive <input type="checkbox"/> Non-executive <input type="checkbox"/> Independent <input type="checkbox"/> Non-independent <input type="checkbox"/>
3.	In the case of appointment of directors the date of board of directors’ meeting in which the appointment of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors. If the director is elected, then attach a copy of the minutes of the general meeting of the company.)
4.	Names of persons on the board of the NBFC subject to Fit and Proper criteria who are related to the applicant.

Signature _____

*use additional sheets if required]

⁴⁷¹[(b). Information to be provided by a body corporate as promoters and major shareholders:

6.	Names of persons on the board of the NBFC who are related to the applicant.
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Signature _____

*use additional sheets if required” vide SRO 592(I)/2023 dated 17 May 2023

⁴⁷¹ Substituted for the text “(b) Information to be provided by a body corporate as promoters and major shareholders of the NBFC and Investment Company:

1. Financial statements for the last three years;

2. Details of business places;

⁴⁷¹[3. Shareholding details including details of ultimate beneficial owners;]

4. CIB report of the company and its directors and sponsors;

⁴⁷¹[omitted]

8. Any substantial adverse verdicts against the Company from any Court of Law during the last ten years

9. Details of associated companies and subsidiaries;

⁴⁷¹[omitted]

11. Details of any inquiry, investigation conducted by the Commission or any other regulatory or professional body or government agency during the last five years; and

1. Financial statements for the last three years;
2. Physical Address of business places;
3. Shareholding details including details of ultimate beneficial owners:

Explanation. – For the purpose of this clause, the term “ultimate beneficial owner” shall have the similar meaning as defined under 123A (Explanation) of the Companies Act, 2017.

4. Any substantial adverse verdicts against the Company from any Court of Law during the last ten years
5. Details of associated companies and subsidiaries;
6. Details of any inquiry, investigation conducted by any other regulatory or professional body or government agency during the last five years; and
7. Any other information as may be required by the Commission.]

12. Any other information as may be required by the Commission.” Vide SRO 592(I)/2023 dated 17 May 2023