



ROYAL MONETARY AUTHORITY OF BHUTAN

RULES AND REGULATIONS FOR COTTAGE AND SMALL INDUSTRIES (CSI) BANKS IN BHUTAN 2018

Pursuant to the power vested with the Royal Monetary Authority of Bhutan under Section 362 (e) of the Financial Services Act of Bhutan 2011, a CSI bank is under an obligation to comply with the provisions of these Rules and Regulations.

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CHAPTER 1

Background and Objective

1.1 Background

The Royal Government of Bhutan accords high priority to the development of CSI (Cottage and Small Industries) and has identified CSI sector as one of the five economic jewels of Bhutan.

The CSI sector has immense relevance to the Bhutanese economy as the largest source of domestic production and employment, especially for our growing youth population while also addressing challenges in the agriculture sector and challenges related to rural-urban migration. Recognizing this potential of the CSI sector to diversify and promote inclusive growth, boost employment and reduce inequality, the Royal Monetary Authority (RMA) decided to formulate and promulgate the rules and regulations for the CSI banks in order to improve access to finance to the sector.

Economic growth has been driven largely by the hydropower sector, while agriculture remains the largest economic sector, providing employment to over 58 percent of the country's labor force. The sector is faced with several challenges, associated with the extant practice of subsistence farming and resulting rural poverty and rural-urban migration. However, rising demand from the growing urban populace and Bhutan's environmental policies and subsequent brand image present numerous opportunities especially in the organic and niche food market to transform agriculture into a more enterprising and commercially-oriented CSI business that can also engage our youth in productive and meaningful employment.

Pursuant to Sections 5, 202 and 362(e) of the Financial Services Act of Bhutan 2011, the RMA hereby adopts the Rules and Regulations for Cottage and Small Industries (CSI) Banks in Bhutan 2018.

1.2 Objective

The main objective of formulating the Rules and Regulations for CSI banks is to:

- i. Develop, promote, assist and support the establishment of, expansion or improvement of cottage and small industries by granting credit facilities.
- ii. To transform the CSI sector into a more enterprising and commercially-oriented sector through coordinated interventions and better access to finance.
- iii. To promote opportunities for youth employment.
- iv. To promote domestic production and import substitution.
- v. To catalyze the CSI sector as a driver of Bhutan's economic transformation.

CHAPTER 2

Preliminary

2.1 Short title and commencement

These rules and regulations shall:

- i. Be called "Rules and Regulations for CSI banks in Bhutan 2018";
- ii. Come into force on 18 day of the July month of 2018.

2.2 Applicability

These Rules and Regulations shall be applicable to the CSI banks of Bhutan. For the purpose of these Rules and Regulations, a CSI bank shall mean either a deposit-taking CSI bank or a non-deposit taking CSI bank.

2.3 Rules of construction

In these Rules and Regulations, unless the context indicates otherwise, the singular shall include plural and the masculine gender shall include the feminine gender hereafter.

2.4 Interpretation

The authority to interpret these Rules and Regulations shall vest with the RMA, which, if warranted, may issue such instruction and clarification from time to time as may be necessary to give effect and implement these Rules and Regulations.

2.5 Amendment

These Rules and Regulations may be amended in part, or in whole, by the Board of the RMA.

2.6 Definition

2.6.1 Unless a contrary intention appears from the context, the following words and expressions shall mean:

- (i) “CSI Bank” shall mean either a deposit taking CSI bank or a non-deposit taking CSI bank which is licensed by the RMA to operate as a CSI bank.
- (ii) “Deposits” means a sum of money delivered for the purpose of safekeeping, possibly earning interest or similar return, repayable on demand or at a future time.
- (iii) “Deposit taking CSI bank” is a CSI bank which is allowed to accept deposits.
- (iv) “Non-deposit taking CSI bank” is CSI a bank which is not allowed to accept deposits.

- (v) “Lock-in-period” shall mean freeze on the shares of the promoters to ensure that the promoters hold shares in the company after the IPO for certain period of time.

2.6.2 All other words and expressions used but not defined in these Rules and Regulations shall have the same meaning assigned to them in the Financial Services Act 2011 and Prudential Regulations, unless the context otherwise requires.

CHAPTER 3

Definition of Cottage and Small Industries

3.1 While there is no universally accepted definition of CSI, different countries use various measures of size, depending on their level of development. The commonly used yardsticks are the total number of employees, total investment and sales turnover. In the context of Bhutanese economy, the Department of Cottage and Small Industry (DCSI) in the Ministry of Economic Affairs to support the national cottage and small industry development has come up with the following definition for CSI, with investment size taking precedence in case of conflict.

Scale of Industry	Employment Size	Investment Cost
Cottage	1 – 4	≤ 1 m
Small	5 – 19	Nu. 1m to ≤ 10m

Source: Department of Cottage and Small Industries, Ministry of Economic Affairs

3.2 The CSI sector is divided into agriculture CSI and non-agricultural CSI activities. Agricultural CSI includes primary production and value-added activities such as processing, packaging, marketing and sales. Non-agricultural CSI shall comprise production and manufacturing, and services.

CHAPTER 4

Licensing Requirements

4.1 License Application and Decision

4.1.1. In accordance with the Financial Services Act of Bhutan 2011, an applicant seeking for a license to conduct a business of a CSI bank is hereby required to comply with these Rules and Regulations and submit the documents required therein.

4.1.2 An application for a license to conduct a CSI bank shall be submitted in writing to the RMA and shall contain the following documents along with a non-refundable application fee of Nu. 50,000 in cash/draft/cheque in favor of the RMA:

- i. Letter of Application (Annexure I);
- ii. Licensing Application Form (Annexure II); and
- iii. Biographical Report (Annexure III).

4.1.3 An applicant shall clearly specify the type of a CSI bank license in the Letter of Application. Incomplete application in all respects and not conforming to the instructions specified in the Annexure II and III of these Rules and Regulations shall be given up to sixty (60) days to complete the application in all respects and rectify the errors, if any. In case of non-submission within the above-specified period, the application shall be rendered invalid.

4.2 Capital Requirement

4.2.1 A minimum paid up equity capital requirement for a CSI bank shall be as follows:

Particulars	Deposit Taking CSI Bank	Non-Deposit Taking CSI Bank
Minimum Paid-up Capital	Nu. 300 million	Nu. 150 million

4.2.2 The promoters' contribution of the initial paid up capital shall have a lock-in-period of five years from the date of licensing of a CSI bank.

4.3 Grant of License

4.3.1 The RMA shall grant a license to an applicant, only if the RMA amongst others is satisfied that:

- i. The managerial capacity of the applicant is adequate to conduct the proposed operations;
- ii. The applicant will conduct its business in an honest and transparent manner and with the professional skills appropriate to the nature and scale of its proposed activities;
- iii. The applicant will conduct its business in a sound and prudent manner so as not to jeopardize performance of financial obligations; and
- iv. The applicant will maintain adequate accounting and other records of its business with adequate systems of control.

4.3.2 After consideration of the documents and other assessments, the RMA if satisfied may issue an “In-Principle Approval”. This approval shall be valid for the period of six months. During this period, the applicant shall take all necessary preliminary measures specified therein. The issue of “In-Principle Approval” does not bind the RMA to issue a license to conduct business.

4.3.3 A CSI bank in respect of which an “In-Principle Approval” has been given shall not commence business before the issuance of a license. Every advertisement, notice, etc. issued prior to the issue of the license shall specify that it has not been issued a license to carry out a CSI banking business.

4.3.4 An applicant upon complying with the conditions specified in the “In-Principle Approval” may request the RMA to issue a license. The RMA being satisfied may issue a license to an applicant to carry out a CSI banking business.

4.3.5 A CSI bank shall commence business within three months of issuance of a license.

4.3.6 A license issued by the RMA to the applicant is non-transferable and shall be valid for a period of one year.

4.3.7 A CSI bank shall pay an annual non-refundable renewal license fee of Nu. 25000.

4.4 Cancellation and Suspension of License

4.4.1 The license of a CSI bank may be cancelled or suspended, if it:

- i. repetitively violates the provisions of the Financial Services Act of Bhutan 2011 or any Rules/ Regulations/Guidelines made there under;
- ii. fails to maintain the capital requirements in accordance with the provisions of these Rules and Regulations;
- iii. violates the conditions of license;
- iv. does not carry out its obligations as specified in these Rules and Regulations;
- v. has not commenced the business within three months of being granted a license; and
- vi. has failed to comply with any other conditions as determined by the RMA from time to time.

CHAPTER 5

Restrictions on Share Ownership and Investments

5.1 In line with Section 50 of the Financial Services Act 2011, no person shall hold more than the following percentage of interest in the shares of a CSI bank:

- i. In case of an individual, 20 percent;
- ii. In the case of a company not being a financial institution, 30 percent;
- iii. In the case of a company being a financial institution, 5 percent.

5.2 For the purpose of Section 5.1:

- i. Individual is a natural person and includes spouse, dependent children or other dependents of a person being of the same household; and
- ii. Company means a parent company, its subsidiaries and affiliates, and it shall also include their significant owners.

5.3 A CSI bank shall float at least 40 percent of its shares to the general public through the initial public offer.

5.4 The ownership restrictions specified under section 5.3 shall not apply to a CSI bank where shares are held directly or indirectly by the Royal Government of Bhutan (Ministry of Finance) which shall be permitted to own 100 percent of a CSI bank.

5.5 The foreign direct investment by a foreign bank (joint venture) in the proposed CSI bank shall not exceed 30 percent of the paid up capital of a CSI bank at any point of time.

5.6 A CSI bank shall not, directly or indirectly, without written approval from the RMA, own shares in a company in excess of 20 percent of its capital fund. The RMA shall, at no point of time permit a CSI bank to invest in a company in excess of 25 percent of its capital fund.

CHAPTER 6

Permissible Activities

6.1 A CSI bank may engage in the following activities:

- i. Accepting deposits;
- ii. Extending credit to the CSI sector (agriculture and non-agriculture CSI). However, CSI bank may also extend credit to small retail businesses engaged in trading domestically produced goods;
- iii. Providing domestic money transmission services;
- iv. Electronic banking, such as mobile, internet etc;
- v. Technical assistance services complementary to CSI loans;
- vi. Equity investment;
- vii. Any other activities with the approval of the RMA.

6.2 A non-deposit taking CSI bank shall not be allowed to accept deposits.

CHAPTER 7

Operational Policy and Procedure

7.1 A CSI bank shall submit the draft operational policy/credit manual to the Department of Financial Regulation and Supervision (DFRS) of RMA as a part of licensing criteria and as and when it is being updated.

7.2 Operational policy shall cover at a minimum the following areas: (i) deposits (in case of deposit-taking CSI bank), (ii) internal control, (iii) human resource, (iv) asset liability management and (v) information technology.

7.3 The credit manual shall clearly lay down procedures on loan administration, disbursement, monitoring, and recovery mechanism.

CHAPTER 8

Credit Facilities

8.1 A CSI bank shall provide loans to borrowers in accordance with its duly approved credit policies/manual.

8.2 Applications for Credit

- i. A CSI bank is required to publish on its website information regarding the application process for credit.
- ii. A CSI bank must have appropriate procedures in place to assess a loan application. Prior to entering into a credit facility agreement, a CSI bank shall gather and record sufficient information from the borrower to assess whether that credit is suitable to that borrower.
- iii. A CSI bank must provide the borrowers with confirmation of the credit facilities granted and the terms and conditions applying thereto, including those regarding default, together with relevant details of fees, charges and interest rates. In addition, a CSI bank shall outline to the borrower the next steps to be completed to facilitate drawdown.

8.3 Declining Credit

Where an application for credit is declined, a CSI bank shall explain clearly to the borrower the reason(s) why the credit facility is being declined.

8.4 CIB Report

At the time of granting facility, a CSI bank shall obtain a credit information report from the Credit Information Bureau. A CSI bank shall be a member to Credit Information Bureau (CIB).

8.5 Proper Utilization of Loan

A CSI bank shall ensure that loan has been utilized for the same purposes as specified in the loan application form. A CSI bank shall develop and implement an appropriate system for monitoring the utilization of loans.

8.6 Security Interest

All loans shall be backed by security against the project assets or any other available schemes.

CHAPTER 9

Meeting and Review

9.1 A CSI bank shall, from time to time, offer a borrower the option of a meeting which shall, at a minimum, include a credit review. "Credit review" means a review of:

- i. credit facility arrangements between the CSI bank and borrower;
- ii. security, if any held in respect of such credit facility agreements; and
- iii. any alternative arrangements.

CHAPTER 10

Prudential Norms

10.1 Capital Adequacy Requirements

In view of the inherent risk of a CSI bank, it shall be required to maintain a minimum Capital Adequacy Ratio (CAR) of 15 percent of its Risk Weighted Assets (RWA), subject to any higher percentage as may be prescribed by RMA from time to time. Tier I or Core Capital Ratio shall be at least 7.5 per cent of RWAs. Tier II capital shall be limited to a maximum of 100 per cent of total Tier I capital. All instructions regarding the definition and calculation of capital, the capital adequacy ratio and risk-weighted assets that apply to banks shall apply in equal measure to a CSI bank.

10.2 Statutory Liquidity Requirement Ratio and Cash Reserve Ratio

10.2.1 A CSI bank shall, at all times, maintain a minimum liquidity in the form of quick assets, in a ratio not less than that set out below:-

- i. Deposit-taking CSI bank - 15 percent of total liabilities excluding capital fund and liabilities to the RMA.
- ii. Non-deposit-taking CSI bank - 7.5 percent of total liabilities
Excluding capital fund and liabilities to the RMA.

10.2.2 The quick assets shall have the same meaning as defined in the Prudential Regulations of the RMA.

10.2.3 A CSI bank (in case of deposit-taking) is statutorily required to maintain a Cash Reserve Ratio (CRR) in the ratio as may be prescribed by the RMA from time to time. The CRR must be maintained in the form of a current account deposit with the RMA.

10.3 Financing Limit

Borrower can avail financing up to 75 percent of the proposed investment cost/project cost from a single CSI bank or from any of the financial institution.

10.4 Restriction on Facilities to Related Parties

A CSI bank shall not take any exposure on CSI borrowers in which, any of its Directors, significant owner holding 10 percent or more of the share capital of a CSI bank or its CEO, or an employee or any family member of these persons, is interested.

10.5 Ongoing Review

Where credit has been extended to a borrower, a CSI bank shall have a system to monitor and review the credit at every level (branch, region, zone, head office) which shall be critically evaluated on a regular basis.

10.6 Loan Classification

On the basis of number of day's interest or installment payments have been in arrears, credit exposures shall be classified into five categories: Standard; Watch; Substandard; Doubtful; and Loss. The classification in the above categories shall be as per the Prudential Regulations of the RMA.

10.7 Non-performing Loans

10.7.1 Loans classified as substandard, doubtful or loss, i.e. loans that are overdue by 91 days or more, are considered as Non-Performing Loans (NPLs).

10.7.2 A CSI bank shall have appropriate procedures for dealing with borrowers during financial difficulties. A borrower shall be classified as in financial difficulties if their loan becomes non-performing.

10.7.3 A CSI bank shall ensure that the level of contact and communications to a borrower in financial difficulties is proportionate.

10.8 Treatment of Credit with Quarterly, Semi-annual, Annual, or Lump-sum Repayments

Where repayments are scheduled at intervals of 3 months or longer, the credit is classified as non-performing when a repayment is due and remains unpaid for 91 days or more from the first day of default. However, a CSI bank shall not, under any circumstances, fix a loan repayment schedule against any type of credit exceeding one year.

10.9 Treatment of Partial Repayments of Loans

For the purposes of ascertaining the period in arrears, each repayment must be made in full. If the borrower settles his monthly repayment partially, the repayment is still deemed to be in arrears.

10.10 Provisioning Requirements

- i. **General Provision**: A CSI bank shall maintain a General Provision equivalent to 1 percent and 1.5 percent of the total principal outstanding under Standard and Watch categories respectively.
- ii. **Specific Provisions**: In addition to the general provision, a CSI bank shall make specific provisions against NPLs at the following rates:
 - (a) **Substandard**: 20 percent of outstanding principal;
 - (b) **Doubtful**: 50 percent of outstanding principal;
 - (c) **Loss**: 100 percent of outstanding principal.

10.11 Customer Grievance Cell

A CSI bank shall set up a customer grievance cell to help and assist the customers as well as to handle customer complaints.

10.12 Complaint Procedures

10.12.1 A CSI bank shall set up effective procedures that allow customers to submit complaints. At a minimum, these procedures shall:

- (i) provide easily understandable information about the customer care system, including the customer care contact number that shall be easily accessible at least during normal business hours; and
- (ii) be provided free of charge.

10.12.2 A CSI bank shall acknowledge all complaints filed with it.

10.12.3 At the time of lodging a complaint, the complainant shall be advised of the expected action and timing for investigating and resolving the complaint.

10.13 Rescheduling / Restructuring of loans

10.13.1 A CSI bank shall reschedule/restructure a loan as per the policy approved by their Board. The rescheduled defaulted loans shall, however, remain in the same category unless serviced regularly for 3 months. The number of days overdue shall be counted as if the loan had not been rescheduled/restructured.

10.13.2 Rescheduling/restructuring shall not be done simply to avoid classification of loans.

10.13.3 A CSI bank is permitted to reschedule a loan once in two years only.

10.14 Gestation Period

10.14.1 A CSI bank shall give project gestation period in line with the bank's credit policies approved by the Board up to maximum period of two years. Interest during the gestation period shall have the same treatment as defined in the Prudential Regulations of the RMA.

10.14.2 The RMA may on a case by case basis, approve the extension of aforementioned gestation period.

10.15 Writing-off Non-Performing Loans (NPLs)

Only those loans with genuine repayment problems shall be written off by the Board of a CSI bank and report to the RMA. However, such write-off shall not relinquish a CSI bank's right of recovery of such written-off loans.

10.16 Non-accrual policy

Interest accrued on a credit exposure which is classified as a non-performing loan shall not be recognized as income, but shall be suspended and booked in a valuation reserve designated as "Interest-in-Suspense account." Thereafter, any payments received against the credit exposure must be first applied towards interest arrears, and the remaining balance, if any, towards the principal.

10.17 Restriction on certain types of transactions

A CSI bank shall not without the prior approval of the RMA, enter into renting, auction and sale/purchase of any kind with its directors, officers, employees or persons who either individually or in concert with their family members, beneficially own 5 percent or more of the equity of a CSI bank.

10.18 AML/CFT

A CSI bank shall comply with the AML/CFT Rules and Regulations issued by the RMA. While considering proposals for extending CSI facilities, a CSI bank shall make reasonable efforts to determine the true identity of its client and shall develop and implement effective procedures and methods for the purpose. A CSI bank shall comply with the minimal KYC (Know Your Customers) and other norms issued by the Department of the Financial Intelligence of RMA.

CHAPTER 11

Interest Rate

11.1 The rate of interest on loans shall be based on Minimum Lending Rate Framework issued by the RMA from time to time. However, a CSI bank wishing for waiver of income tax on interest income earned through preferential lending to CSI enterprises shall be governed by the Fiscal Incentives of Government issued by the Ministry of Finance. The preferential lending rate shall be determined by the RMA in consultation with the Ministry of Finance.

11.2 The deposit rates in case of a deposit-taking CSI bank may be revised from time to time with the approval of their respective Board and subsequent notification to the RMA. The approved rates and any revisions thereof must be publicly announced.

11.3 A CSI bank shall follow the Simple Daily Product Method for computation of interest on loans and advances.

CHAPTER 12

Risk Management

Proper risk management is essential for survival of a CSI bank. It enables management to allocate resources/capital to various risk units based on tradeoff between risk and revenue potential. A CSI bank shall therefore have a system to identify the credit, market, operational and all other risks inherent in the CSI business and put in place the appropriate processes, controls and mitigation mechanism to manage those risks.

CHAPTER 13

Auditing and Reporting

13.1 Audit and submission of Accounts

Board of a CSI bank shall arrange for a CSI Bank to be audited at least once a year and submit a copy of the annual audited accounts to the RMA within three months of the close of the financial year.

13.2 Submission of Financial Returns

For off-site surveillance, a CSI bank shall submit the reports/returns to the RMA as per the format prescribed by the Authority.

CHAPTER 14

Appropriation of Profits

A CSI bank must transfer a minimum of 25 percent of its annual profit after tax to the General Reserve Fund.

A CSI bank shall declare dividend only after three years of commencement of its business, as per the eligibility criteria for dividend declaration prescribed by the RMA.

CHAPTER 15

Supervision, Operation and Control

The RMA has the authority to supervise a CSI bank's business in general and may order a CSI bank to explain any actions. The RMA may conduct on-site examination of a CSI bank as and when found necessary. A CSI bank is required to make available to the RMA all records and documents to enable them to ascertain the overall financial condition of the institution. The RMA may prohibit management of a CSI bank from undertaking any action if it conflicts with RMA and government policies.

CHAPTER 16

Retention and Production of Documents

A CSI bank shall prepare and maintain adequate records required under these Rules and Regulations for minimum period of ten years, and must produce all such records to the RMA upon request.

CHAPTER 17

Corporate Governance

The Corporate Governance Rules and Regulations (CGRR) 2018 of the RMA will be applicable to a CSI bank. However, the RMA may provide certain exemptions of CGRR to CSI banks depending on the nature of business and size of the CSI banks.

CHAPTER 18

Penalty for Non-Compliance

Any non-compliance to these Rules and Regulations by a CSI bank shall be subject to penalties as determined by the RMA from time to time

CHAPTER 19

Miscellaneous

For any lending activities mentioned under the PSL guidelines, a CSI bank shall apply the terms and conditions of the PSL guidelines issued by the RMA.

LETTER OF APPLICATION

The Hon'ble Governor
Royal Monetary Authority of Bhutan
Thimphu, Bhutan

Date:

Sub: Application to establish CSI bank in Bhutan

Hon'ble Dasho,

I/We would like to request for a license to establish a _____ **(Deposit taking or Non-deposit taking)** CSI bank in Bhutan under section 230 of Financial Services Act of Bhutan, 2011. I/We confirm and declare that all applications submitted by us/me are in full compliance with the Rules and Regulations for CSI banks issued by the RMA. I/We further confirm and declare that I/we are satisfied to the best of our knowledge, information and belief that there is no information or statement nor is there any omission which would make our application false or misleading. I/We undertake to provide to RMA such information and documents as the RMA may reasonably require in relation to the application.

This application is made by the undersigned authorized person of(_____) pursuant to the authority granted to by written resolution of promoters passed on (_____).

For and on behalf of proposed company.

Yours faithfully,

Name:

Address:

Tel No:

Fax No:

Email:

Encl: Documents pertaining to the application including the resolution signed by all the promoters.

LICENSING APPLICATION FORM

(Please ensure that this form is filled properly. In case of any clarifications, please feel free to call or visit the Department of Financial Regulation and Supervision of Royal Monetary Authority).

In accordance to the Financial Services Act of Bhutan, 2011 an application form is required to be submitted by the applicant to the RMA for a license to conduct a CSI bank business in Bhutan.

NAME OF THE APPLICANT:

ADDRESS :

CONTACT ADDRESS :

TELEPHONE NO :

FAX NO :

E-mail :

1. Instructions for filling up the form

i. It is important that before this application form is filled in, the Rules and Regulations issued by the RMA are studied carefully and understood in full.

- ii. An applicant shall submit a duly completed application form along with all appropriate, supporting documents to the RMA.
- iii. An applicant for license will be considered only if it is complete in all respects.
- iv. An applicant shall sign the application form.
- v. Information which needs to be supplied in more details may be given on separate sheets which shall be attached to the application form.

2. Particulars of the Applicant:

i. Name of the Applicant:

ii. (A) Address - Principal Place of business / Registered Office.

Post Box Number: _____ Telephone No: _____

E-mail: _____ Fax No: _____

iii. Address for Correspondence:

Post Box Number: _____ Telephone No: _____

E-mail: _____ Fax No: _____

3. Capital Structure of the proposed CSI bank:

i. Amount of Authorized Capital: _____

ii. Amount of Issued Capital: _____

iii. Amount of Paid-up Capital: _____

4. Shareholding pattern

i. List of major shareholders (holding 10 percent and above of applicant directly or along with associates-applicable only to limited companies)

ii. Share holding as on: _____

Name of shareholder	No. of shares held	% of total paid up capital of the company

iii. Three years audited accounts of the company, if applicable.

5. Organization Structure

i. Status of the applicant (e.g. limited company-Private/Public):

ii. Date and Place of Incorporation:

Day Month Year Place

iii. Copy of draft Article of Incorporation (final Articles of Incorporation to be submitted upon incorporation of the Company with the Registrar of Companies).

6. Business Information

i. A business plan/feasibility report for a period of 3 years to be submitted along with the Organization Chart showing functional responsibilities.

ii. Particulars relating to the significant owner, directors, principal officer of the company.

iii. Any other information considered relevant to the nature of services rendered by the applicant.

iv. Details of infrastructure like office space, equipment and manpower available with the applicant after the issuance of "In-Principle Approval".

v. Declaration shall be provided by the person nominated as the applicant and all directors of the applicant company.

DECLARATION

I, the undersigned, solemnly declare that the above information given in this application form and other documents submitted on behalf of a proposed CSI bank are true, complete and correct to the best of my knowledge and belief.

Should the RMA come across any inconsistencies on the information provided, I hereby agree to fully abide by the penalties as specified under Section 138 of the Financial Services Act of Bhutan 2011.

Further, I would like to pledge that if granted a license to conduct the business, a proposed company will not violate any laws and rules and regulations of the RMA.

Name:

Position:

Citizenship ID No:
(Please attest copy)

Signature (Affix Legal Stamp):

Date:

Witness:

Name:

Citizenship ID No:
(Please attest copy)

Occupation:

Signature:

BIOGRAPHICAL REPORT

A CSI bank shall obtain RMA's no objection on the fit and proper test of promoters and all candidates considered for initial appointment or reappointment in the board or for the post of chief executive officer (CEO). The Biographical report has to be submitted in the following form:

1. Name:

2. Date of Birth:

3. Nationality (Please attach a copy):

Citizenship ID No:

Passport No (Non-Bhutanese):

4. Mailing Address:

Telephone No:

Mobile No:

Fax No:

E-mail:

5. Present Position:

Name and Address of the Firm:

Nature of Business:

Telephone No:

6. Other Position(s) *(if more than one, use additional sheets):*

Name and Address of the Firm:

Nature of Business:

Telephone No:

10. Employment Record. (Use additional sheets, if necessary, and account for all gaps in employment).

Position held/ Department (Division)	Main responsibilities	Organization	Country	Duration
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

11. Status of the proposed appointment

Please tick the relevant box:

Initial appointment

Independent Director

Re-appointment

Non-independent Director

12. Do you have a license to practice any profession? Yes () No ()

If yes, give details:

(a) Nature of license:

(b) Date Issued:

(c) license/Registration Number:

(d) Licensing Agency and Address:

13.(a) If self-employed, describe each enterprise, including the name, address, license number, your percentage of ownership and the type of business which you own or control. (Control means ownership of 10% or more of the stock or ability to effectively control the management of the corporation or other entity).

- (a) List names, addresses and percentage of control and/or ownership of other incorporators, partners, directors, or officers of the entity or corporation referred to above.

14.

<p>Are you employed in any professional capacity, or do you perform any services for or have any business connections with any institution which is subject to the supervision of the Royal Monetary Authority of Bhutan, or any other authority of the Royal Government of Bhutan?</p> <p>If “Yes”, indicate the name of the institution, address and nature of your work.</p>	<p>Yes ()</p>	<p>No ()</p>
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15.

<p>Have you had, or do you now have, any financial interest, direct or indirect, in any financial institution in Bhutan</p> <p>If “Yes”, give the name of the institution, address and nature of the financial interest.</p>	<p>Yes ()</p>	<p>No ()</p>
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16. Please tick whichever is relevant for the following questions below

	“Yes”	“No”	“N/A”
1. Do you have more than 5 years experience in banking, insurance, securities, finance, accounting, information technology & investment management	()	()	()
2. Were you declared insolvent and adjudicated bankrupt	()	()	()
3. Were you convicted by a court in any criminal offense or has been involved in any fraud/forgery, financial crime or other illegal activities	()	()	()
4. Are any of your loan account with financial institutions classified as non-performing at any point of time (loan default by 60 days).	()	()	()

17. Practicing accountants may be appointed as directors of financial institutions provided they are not employed or are not partners in an accounting firm, which has been engaged to conduct audit or consultancy work for that particular financial institution.

Are you a practicing accountant/consultant? () Yes () No

If “yes”, in what capacity?

18. Are you affiliated to any political party? () Yes () No

If “yes”, in what capacity?

19. Answer “Yes” or “No” to any of the questions below if they apply to you as an individual, or a partner, director or officer of a corporation except for minor traffic violations:

a. Are any arrests, indictments, criminal information or other criminal proceedings now pending against you?	Yes ()	No ()
b. Were you ever convicted for any violations of the law?	()	()
c. Have you or has any partnership of which you were a CEO or a major owner (more than or equal to 10% of the capital of the company) ever been liquidated or judged bankrupt?	()	()
d. Has any business of which you were a director, officer, partner or major shareholder (10% or more of the voting shares) defaulted on his/her loan repayment?	()	()
e. Has any enterprise in which you were a partner, director or officer been the subject of criminal indictment or other criminal proceedings?	()	()

DECLARATION

I certify that I am cognizant that it is an offence under section 138 of the Financial Services Act 2011 for furnishing wrong information to the RMA.

I certify that the information given in the form above is complete and accurate to the best of my knowledge, information and belief and that there is no other fact relevant to this application of which the RMA shall be aware.

I also undertake that as long as I continue to be a Director, I will notify the Director of the Department of Financial Regulations and Supervision (DFRS) of the RMA of any material changes to, or affecting the completeness or accuracy of, the information given above as soon as possible, but in any event no later than 10 days from the day the changes come to my attention.

Further, I would like to pledge that as long as I continue to be a Director of the company, I will not violate any laws and rules and regulations of the RMA.

Name Position held

Signed Date
(Affix legal Stamp)

Witness

Name:

Citizenship ID No (please attest a copy)

Address:

Occupation:

Telephone No.....

E-mail address:

Signature:

