



ROYAL MONETARY AUTHORITY OF BHUTAN

RULES AND REGULATIONS FOR COTTAGE AND SMALL INDUSTRIES (CSI) BANKS IN BHUTAN 2017

In 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 shall comply with this Rule and Regulation.

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CHAPTER 1

1.1 Background

Royal Government of Bhutan accords high priority to the development of CSI (cottage and small industries) as they play a crucial role in employment creation, income generation and in bringing regional balanced development. In Bhutan, the full potential of the CSI sector has yet to be tapped due to the existence of a number of constraints hampering the development of the sector. They include: undeveloped infrastructure, poor business development services, limited access of CSI to finance, ineffective and poorly coordinated institutional support framework etc.

Taking into account the role of CSI for the overall economic development of a country particularly for developing countries like Bhutan and that CSI bank can play an important role in the supply of credit to CSI in the country, the RMA decided to come up with the rules and regulations on the CSI bank. While permitting a CSI bank, however, the issues relating to their size, capital requirements, area of operations, exposure norms, regulatory prescriptions, corporate governance and resolution also need to be suitably addressed. Therefore, in pursuant to sections 5, 202 and 362(e) of the Financial Services Act of Bhutan 2011, the Royal Monetary Authority of Bhutan hereby adopts the Cottage and Small Industries (CSI) Bank Rule and Regulation 2017.

1.2 Objective

The objective of setting up of a CSI bank will be to develop, promote, assist and support the establishment of, expansion or improvement of cottage and small industries by granting credit facilities to foster job creation and income generation thereby increasing their participation and contribution to the Bhutanese economy. It would also further financial inclusion by providing facilities of savings vehicles (in case of deposit-taking CSI bank).

CHAPTER 2

Preliminary

2.1 Short title and commencement

This rule and regulation shall:

- I. Be called “CSI Bank Rule & Regulation of Bhutan 2017”;
- II. Come into force on ___ day of the ___ month of 2017; and

2.2 Applicability

This Rule and Regulation shall be applicable to a CSI bank engaged in giving credit to cottage and small industries. For the purpose of this rule and regulation, CSI bank shall mean both deposit-taking CSI bank and non-deposit taking CSI bank.

2.3 Rules of construction

In this Rule and Regulation, 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 this Rule and Regulation 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 this Rule and Regulation.

2.5 Amendment

This Rule and Regulation may be amended in part, or in whole, by the Board/Executive Committee of RMA at its own discretion or based on the recommendation made by the Management/Department concerned.

CHAPTER 3

Definition of Cottage and Small Industries

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) under the Ministry of Economic Affairs to support the national cottage and small industry development has come up with the following definition for CSI.

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

CSI shall comprise the following sectors;

- (i) Manufacturing
- (ii) Service

- (iii) Trade/Commerce
- (iv) Agriculture

CHAPTER 4

Establishment (Licensing Requirements)

4.1 License Application and Decision

In accordance to 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 this rule and regulation and submit the documents required therein.

An application for a license to conduct a CSI bank shall be made in writing to the RMA and shall contain the following documents along with a non-refundable application fee of Nu. 15,000 in cash/draft/cheque in favor of the RMA:

- a. Letter of Application (Annexure I)
- b. Licensing Application Form (Annexure II)
- c. Biographical Report (Annexure III)

Application not complete in all respects and not conforming to the instructions specified in the Annexure II and III of this rule and regulation shall be given 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 deemed invalid.

4.2 Capital requirement

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

4.3 Restrictions on share ownership and investments

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

- (a) In case of an individual, 20 percent,
- (b) In the case of a company not being a financial institution, 30 percent,

(c) In the case of a company being a financial institution, 5%.

4.3.2 A CSI bank shall float at least 40% of the shares to the general public through the initial public offer within a period of 5 years from the date of commencement.

4.3.3 The ownership restrictions in section 4.3.1 of this regulation 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% of a CSI bank.

4.3.4 A CSI bank shall not, directly or indirectly, without written approval from the Authority, own shares in a company in excess of 20 percent of its capital fund.

4.4 Grant of License

- i. The RMA shall grant a license to an applicant, only if the RMA amongst others is satisfied that:
 - a. The managerial capacity of the applicant is adequate to conduct the proposed operations;
 - b. 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;
 - c. The applicant will conduct its business in a sound and prudent manner so as not to jeopardize performance of financial obligations;
 - d. The applicant will maintain adequate accounting and other records of its business with adequate systems of control; and
 - e. It will become economically sustainable within a period of three years.
- ii. After consideration of the documents and other investigations, the RMA if satisfied may issue an “In-Principle Approval”. This approval shall be valid for the period of three 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.
- iii. An institution in respect of which an “In-Principle Approval” has been given should not commence business before the issue of a license. Every advertisement, notice, etc. issued prior to the issue of the license should specify that it has not been issued a license to carry out CSI banking business.

- iv. 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 the CSI banking business.
- v. A CSI bank shall commence business within three months of issuance of a license.
- vi. A license issued by the RMA to the applicant is non-transferable and shall be valid for a period of one year.
- vii. A CSI bank from the year it starts generating profit shall pay an annual non-refundable renewal license fee as maybe determined by the RMA.

4.5 Cancellation and Suspension of License

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

- a. repetitively violates to the provisions of the Financial Services Act of Bhutan 2011 or any Rules/ Regulations/Guidelines made there under;
- b. fails to maintain the capital requirements in accordance with the provisions of this Rule and Regulation;
- c. violates the conditions of license;
- d. does not carry out its obligations as specified in this Rule and Regulation.
- e. has not commenced the business within three months of being granted a license.
- f. Any other conditions as determined by the RMA

CHAPTER 5

Permissible Activities

A CSI bank may engage in the following activities:

- i. Accepting deposits (for deposit-taking CSI bank);
- ii. Extending credit;
- iii. Providing domestic money transmission services;
- iv. Electronic banking, such as mobile, internet etc;
- v. Technical assistance services complementary to CSI loans;
- vi. Any other activities with the approval of the RMA.

CHAPTER 6

Corporate Governance

6.1 The Board of Directors

6.1.1 The Board of Directors of a CSI bank shall:

- i. establish the strategy and policies for a CSI bank's operations;
- ii. oversee the implementation of that strategy by the management;
- iii. appoint senior management and define key responsibilities of senior management; and
- iv. approve policies for oversight by senior management of subordinate staff and reporting relationships within the bank;

6.1.2 Size and Composition of the Board

- i. A CSI bank, while deciding the composition of the Board of Directors, shall ensure that the skill mix of the Board is compatible with the objectives, plans and functions of a CSI bank and that the Board would be in a position to give direction to the management and steer a CSI bank in the desired direction.
- ii. The Board of Directors shall comprise of at least three members, of which at least two shall be an independent director.
- iii. The Chief Executive Officer shall be one of the Board of Directors.

6.1.3 Restrictions on Board of Directors

- i. Not more than one member of a family (spouse, children and/or economically dependent persons) or an associate (partner, employee, director, etc.) should be on the Board of a CSI bank.
- ii. No person who directly or indirectly holds more than 10% of the paid up capital of a CSI bank/financial institution shall be eligible for the appointment as directors on a board of another CSI bank/financial institution.
- iii. No directors/employees of a CSI bank/financial institution are permitted to serve as a director of another CSI bank/FIs.

6.2 Chief Executive Officer

In line with Section 34 to 36 of the Financial Services Act of Bhutan 2011:

- i. A CSI bank shall appoint a chief executive officer who shall be:
 - i. a natural person
 - ii. Resident in Bhutan during the period of his appointment.
- ii. The Chief Executive Officer of a CSI bank shall be a full-time employee and shall hold office for a period not exceeding five years at a time, subject to the approval by the Annual General Meeting.
- iii. The Chief Executive Officer shall lead the executive management to implement the Board of Director's plans.

6.3 Appointment of Board of Directors and Chief Executive Officer

6.3.1 Fit and Proper Criteria for the Board of Directors and Chief Executive Officer

- i. All the Board Members and a Chief Executive Officer shall comply with the fit and proper test as prescribed by the RMA from time to time.
- ii. In addition to the requirements provided under 6.3.1(i), a CSI bank, while selecting/recommending a person as board member/chief executive officer, shall ensure that his/her loan account with any of the financial institutions is not classified as non-performing.
- iii. In determining whether a person is fit and proper to hold any particular position or status, the person's honesty, respect for law, competence and qualifications for

the position and any conflict of interest potentially detrimental to customers that might arise from his holding that position shall be considered. Where the person is not an individual, the fit and proper character of its control persons shall also be considered. Without limiting the generality of the foregoing provisions, a CSI bank has to comply with Section 32 of the Financial Services Act of Bhutan 2011, and in particular any evidence of the following may disqualify a person from being a director / chief executive officer:

- i. convicted of an offence involving fraud, dishonesty or violence;
- ii. associated with any bankruptcy or financial loss due to his dishonesty, incompetence or malpractice in financial services or the management of companies;
- iii. engaged in any business practices appearing to the RMA to be deceitful or oppressive whether unlawful or not; and
- iv. removed or suspended by an order of a regulatory or supervisory authority from serving as a director, chief executive officer or other officers in any financial institution or corporate body in Bhutan and abroad.

6.3.2 Prior Approval

A CSI bank shall submit the duly completed biographical report (Annexure III) of the proposed Board Member(s) and/or Chief Executive Officer for approval to the RMA prior to the appointment of Directors and/or the Chief Executive Officer.

CHAPTER 7

Operational Policies and Procedure

7.1 A CSI bank shall submit the draft operational policy/credit manual to the FRSD of RMA as a part of licensing criteria and as and when it is 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, (v) AML/CFT, and (vi) information technology;

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

7.4 A CSI bank may also incorporate in their annual credit plans, the credit requirement identified by the Department of Cottage and Small Industries of the Ministry of Economic Affairs.

CHAPTER 8

Credit Facilities

A CSI bank shall provide loans to CSI enterprise in accordance with its credit policies/manual.

8.1 Applications for Credit

- i. A CSI bank must consider each application for credit facilities on its own merits.
- ii. A CSI bank must inform borrowers how long the process considered is likely to take.
- iii. A CSI bank must maintain records of all applications for credit facilities.
- iv. A CSI bank is required to publish on its website and generally to make available to CSI borrowers certain information regarding the application process for credit, including the timelines that apply to an assessment of the credit application.
- v. 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.
- vi. A CSI bank must provide the borrower 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 should outline to the borrower the next steps to be completed to facilitate drawdown.

8.2 Declining Credit

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

8.3 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.

8.4 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 utilization of loans.

8.5 Collateral

- i. A CSI bank may provide collateral free loans up to Nu. 0.4 million in case of cottage industries and up to Nu. 2 million in case of small industries against the personal guarantee of the owners of the CSI until such time the Credit Guarantee Schemes are in place.
- ii. A CSI bank may seek collateral for credit facilities of more than the above mentioned collateral free loans. Where a CSI bank seeks collateral in support of an application by a borrower for credit, a CSI bank shall ensure that any collateral being sought is reasonable and proportionate.
- iii. A CSI Bank may, on the basis of good track record and financial position of the CSI enterprise and with the approval of their Board, increase the limit to dispense loans without the collateral requirement up to Nu 0.5 million for cottage industries and Nu. 3.5 million for small industries.

CHAPTER 9

Financial Difficulties

9.1 A CSI bank must have policies and procedures for dealing with borrowers in financial difficulties.

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

9.3 Where a borrower in financial difficulties requests a CSI bank to contact them to discuss the financial difficulties, a CSI bank must respond or acknowledge such a request promptly.

CHAPTER 10

Meeting and Review

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

CHAPTER 11

Enterprise Development Services

A CSI bank can add value to their CSI customers by providing non-financial assistance to CSI enterprises. These "non-financial assistance" includes enterprise development services such as strategic or financial planning, financial literacy and technical backstopping

CHAPTER 12

Prudential Norms

Unless otherwise indicated in this rule and regulation, a CSI bank shall be subject to all prudential norms and regulations of RMA as applicable to existing banks including requirement of maintenance of CRR (in case of deposit-taking CSI bank).

12.1 Capital Adequacy Requirements

Also in view of the inherent risk of a CSI bank, it shall be required to maintain a minimum capital adequacy ratio 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 should be at least 7.5 per cent of RWAs. Tier II capital should be limited to a maximum of 100 per cent of total Tier I capital. All instructions regarding the definition and calculation of paid-up capital, the capital adequacy ratio and risk-weighted assets that apply to banks shall apply in equal measure to a CSI bank.

12.2 Statutory Liquidity Requirement Ratio

A CSI bank shall, at all times, maintain a minimum liquidity in the form of quick assets, in a ratio not less than 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

12.3 Financing Limit

CSI enterprise can avail financing up to 75 percent of investment cost as defined in Chapter 3 from a single CSI bank or from all banks/FIs.

12.4 Restriction on Facilities to Related Parties

A CSI bank shall not take any exposure on CSI enterprises in which, any of its directors, significant owner holding 10 percent or more of the share capital of a CSI bank or its Chief Executive Officer, or an Employee or any family member of these persons, is interested.

12.5 Ongoing Review

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

12.6 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 the Prudential Regulations 2016.

12.7 Non-performing Loans

Loans classified as substandard, doubtful or loss, i.e. loans that are overdue by more than 90 days, are considered as Non-Performing Loans (NPLs).

12.8 Provisioning Requirements

- i. **General Provision:** A CSI bank shall maintain a General Provision equivalent to 1% and 1.5% 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% of outstanding principal;

(b) **Doubtful:** 50% of outstanding principal;

(c) **Loss:** 100% of outstanding principal.

12.9 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.

12.10 Complaint Procedures

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 should be easily accessible at least during normal business hours;
- ii. be provided free of charge;

12.11 A CSI bank shall acknowledge all complaints filed with them.

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

12.13 Complainants shall be advised of the outcome of the investigation of their complaint, and any resulting decision by a CSI bank.

12.14 Where a complainant is not satisfied with a decision reached pursuant to a complaint, a CSI bank shall give the complainant the option of pursuing an identified escalation process by which the decision may be examined by a suitably qualified person in a CSI bank.

12.16 Rescheduling / Restructuring of loans

- i) A CSI bank shall reschedule/restructure a loan as per the policy approved by their Board. The rescheduled/restructured defaulted loans shall, however, remain in the same category unless serviced regularly for 3 months. The number of days overdue should be counted as if the loan had not been rescheduled/restructured.
- ii) Rescheduling/restructuring shall not be done simply to avoid classification of loans.
- iii) A CSI bank is permitted to reschedule a loan once in two years only.

12.17 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 extinguish a CSI bank's right of recovery of such written-off loans.

12.18 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.

12.19 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;

12.20 AML/CFT

A CSI bank shall comply with the AML/CFT 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 Financial Intelligent Unit of RMA.

CHAPTER 13

Interest Rate

13.1 The rate of interest on loans shall be based on Minimum Lending Rate Framework of the RMA. 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.

13.2 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.

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

CHAPTER 14

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 trade off between risk and revenue potential. A CSI bank should therefore have the 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 mitigations to manage those risks.

CHAPTER 15

Auditing and reporting

Board of 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.

CHAPTER 16

Appropriation of Profits

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

CHAPTER 17

Supervision, Operation and Control

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 prohibit management of a CSI bank from undertaking any action if it conflicts with RMA and government policies. RMA may also order a CSI bank to comply with its policies and government policies and may order an inquiry into a CSI Bank's operations.

CHAPTER 18

Retention and Production of Documents

A CSI bank must prepare and maintain adequate records required under this Rule and Regulation for minimum period of ten years, and must produce all such records to the RMA upon request.

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 **CSI bank** in Bhutan under section 230 of Financial Services Act of Bhutan, 2011. I/We confirm and declare that all applications made by us/me are in full compliance with the CSI bank Rules and Regulations issued by the Authority. 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 Authority such information and documents as the Authority 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 Financial Regulations and Supervision Department 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 Authority for a license to conduct the 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 made by the Authority are studied carefully and understood in full.
- ii. Applicants must submit a duly completed application form together with all appropriate, supporting documents to the Authority.
- iii. Application for license will be considered only if it is complete in all respects.
- iv. Applicants should sign the application form.
- v. Information which needs to be supplied in more details may be given on separate sheets which should 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 DMFI:

- 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% 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 to be completed in the prescribed format Annexure I.
- 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 should be provided by the person nominated as the applicant, fund manager and all directors of the applicant company declaring that they were not associated with a company as a director or fund manager, whose registration as a fund management company was suspended or cancelled or refused by the Authority.

These declarations should be submitted separately by the Applicant, Fund Manager & each Director of the company.

DECLARATION

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

Should the Authority 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, the proposed company will not violate any laws and Rules and Regulations of the Authority.

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

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).

(b) 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>	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 0 10px;">Yes</td> <td style="padding: 0 10px;">No</td> </tr> <tr> <td style="padding: 0 10px;">()</td> <td style="padding: 0 10px;">()</td> </tr> </table>	Yes	No	()	()
Yes	No				
()	()				

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>	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 0 10px;">Yes</td> <td style="padding: 0 10px;">No</td> </tr> <tr> <td style="padding: 0 10px;">()</td> <td style="padding: 0 10px;">()</td> </tr> </table>	Yes	No	()	()
Yes	No				
()	()				

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).	() () ()
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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:

	Yes	No
a. Are any arrests, indictments, criminal information or other criminal proceedings now pending against you?	()	()
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?	()	()
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DECLARATION

I certify that I am aware that it is an offence under the section 138 of the Financial Services Act 2011 to provide the Royal Monetary Authority any information which is false or misleading in a material particular.

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 are no other facts relevant to this application of which the Royal Monetary Authority should be aware.

I also undertake that as long as I continue to be a Director, I will notify the Director of the Financial Regulations and Supervision Department of the Royal Monetary Authority 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:

