

MINIMUM LICENSING REQUIREMENTS FOR MICRO LENDING ENTITIES

1.0 LEGAL FORM

- 1.1 Application letter on company letterhead indicating interest/intention to apply for a Micro Lending License, containing the names of the Applicant, postal address and email address
- 1.2 Proof of payment of a **non-refundable** licensing fee of **P6300.00** deposited into NBFIRA's account.
Account Name: NBFIRA
Bank name: Stanbic Bank
Branch name: Fairground
Branch code: 064967
Account number: 9060001296510
Swift code: SBICBWGX
Reference: Company name
- 1.3 A certified copy of Certificate of incorporation for companies, certified copy of business registration for business and company extract from CIPA
- 1.4 Complete Form 3 if you wish to operate more than 1 office/Branch. Each additional branch fee is P1,200.00
- 1.5 Proof of BURS registration (Company Tax Certificate)

No applications will be accepted from Trusts

N.B Micro Lending licenses are strictly reserved for Batswana

2.0 OWNERSHIP & MANAGEMENT

- 2.1 Completed Application Form 1(Appendix Form 1) In built on the RBSS portal
- 2.2 Resolution of Board/Directors to apply for a Micro lending license, stating the names of the proposed Principal Officer and AML/CFT Compliance Officer
- 2.3 The following must be submitted for Individual shareholders, members of board of directors, senior management, Principal Officer, AML Compliance Officer, Chief Finance Officer and Chief Executive Officer
 - i. Personal questionnaire - Available on NBFIRA website and RBSS Portal
 - ii. SV Form 1 - Available on NBFIRA website and RBSS Portal
 - iii. Certified copy of national ID/Passport for non-citizens;

- iv. Work and residence permit for non-citizens
- v. Copy of CV/Resume
- vi. Certified copies of academic and professional qualifications
- vii. Personal Bank reference
- viii. Original copy of Police Clearance or from country of residence where individuals stayed for six months or longer

*All of the above are to have been certified/updated not more than six (6) months prior to submission

All vetting documents being from any other jurisdiction outside Botswana will need to be notarized and authenticated by a duly registered Notary Public. Controllers and Key persons are required to meet the Fit and Proper Rules, 2017 (Available on the NBFIRA website) <http://www.nbfira.org.bw/fit-and-proper-rules-3>

All forms are to be downloaded from the RBSS Portal or from the NBFIRA website

www.nbfira.org.bw

Where shares are held by unnatural persons, shareholders should submit an Affidavit declaring the details of ultimate beneficial shareholders, which should include names of institutional shareholders, the full names of natural persons who are beneficial owners of shares in the institutional entity and their respective percentage shareholding

Link below <https://www.nbfira.org.bw/sites/default/files/AML%20desig.pdf>

2.4 Proposed organizational structure- The Role of AML/CFT Compliance officer and Principal Officer must be identified on the organizational structure. The AML/CFT Compliance Officer must comply with the directive for the AML/CFT Compliance Officer

2.4.1 The AML/CFT Compliance Officer shall ensure the entity complies with the provisions of the Financial Intelligence Act, and the Principal Officer shall ensure compliance with the Micro Lending Regulations, 2012 and other financial services laws. The Chief Executive Officer, AML/CFT Compliance Officer and the Principal Officer should be full-time employees of the micro lender

2.4.2 Where the applicant is a member of a group of companies, a group corporate structure showing all the subsidiaries and related companies should be submitted

3.0 **MINIMUM FINANCIAL REQUIREMENT**

3.1 Proof of financial liquidity – P20 000 to be maintained at all the times by the micro lender. A certified bank statement in the name of the applying company should be submitted

3.2 All sources of startup capital or funding should be fully disclosed by submitting documentary evidence which may include copies of the facility letter, bank statements and shareholders loan agreements

4.0 BUSINESS PLAN

The Business Plan should include but not be limited to the information below

4.1 Identifying Information:

- a) Name and proposed location of the applicant and its branches.
- b) A brief background of managers, directors and owners of the applicant
Market Analysis
- c) Identification of the market(s) to be served by the applicant
- d) SWOT Analysis

4.2 Business strategy and objectives

- a) Brief description of the products and services to be offered by the applicant, which should include loan threshold, loan term, among others
- b) Breakdown of charges i.e. interest rates, administrative costs, any other charges, and the justification of the charges
- c) Discussion of the major strategies to be implemented by the company to enable it to achieve its objective
- d) Payment Collection methods
- e) Details on Pawnshop business agents to be used

5.0 FINANCIAL PERFORMANCE

5.1 Financial projections and forecasts for a minimum of three years from commencement date. This should include an income statement, balance sheet and cash flow statement.

5.2 Key assumptions considered to be of importance to the institution's operations. The assumptions should include the following:

- Inflation supporting projections
 - Market interest rates
 - Institution's projected lending rates
 - Bad debt ratio
 - Economic growth
- 5.3 Annual financial statements for company-
for the year immediately preceding the application (Where applicable)

5.4 Any other business information

6.0 OPERATIONAL POLICIES AND PROCEDURES

- 6.1 **Comprehensive Complaints Policy and Procedures Manual** - Proposed dispute resolution and complaints guidance (after licensing it has to be displayed prominently at the entity's business premises) which is compliant with Regulation 21 of the Micro Lending Regulations, 2012. This should include details of the person who will deal with complaints and the time it will take to resolve the complaint. It must include referrals to NBFIRA pending resolution. The same to include complaints register
- 6.2 **AML/ CFT Policy and Procedures** to ensure that it has adequate internal anti-money laundering and combating of financial terrorism and proliferation policies, controls, guidelines and training programs upon commencement of business that will prevent criminals from laundering proceeds obtained from criminal activities. This should comply with the Financial Intelligence Act and of the Regulations of 2022
- 6.3 **Standard Loan Application Forms** the institution intends to use. The Loan Agreement must comply with Regulation 11 and Form 5 of the Micro Lending Regulations 12, together with the KYC guidance form
- 6.4 **Standard Consent of Spouse Form** for customers as per form 4 of the Microlending Regulations. A form that will be completed by all spouses of customers married in community of property
- 6.5 **Service Level Agreements** (if any) - Where the applicant seeks to use agents or other third parties to provide services, applicant to provide details and copies of the contracts (where applicable)
- 6.6 **Loan Underwriting Policy/Credit Policy** to provide guidance to employees on lending and practical steps to be followed to assess the credit-worthiness of a borrower to ensure compliance on an ongoing basis, in line with Regulation 9 of the Micro Lending Regulations, 2012
- 6.7 **Bad Debts /Delinquency Policy** to provide guidance to employees on how to treat non- performing loans and including that the penalties should not exceed 5% of the outstanding principal amount per month with a maximum not exceeding the outstanding principal amount.

All applicants are encouraged to read and acquaint themselves with the Microlending Regulations 2012, NBFIRA Act Financial Intelligence Act and accompanying Regulations as they will be required to comply on an ongoing basis with the obligations stated therein. Micro Lending business should operate from formal business premises. They should not operate from premises that are also used for residential purposes. A lease agreement should be submitted to NBFIRA for the head office and all branches 5 days within resuming business operations. Applicants should note that any falsification and misrepresentation of facts may lead to denial of the license being applied for.

7.0 THE LICENSING PROCESS

- 7.1** The applicant will be required to firstly submit all documents listed under point 1(Legal Form) to gain access to the RBSS web portal which will enable the applicant to make a full submission as per the requirements. Note: Application are **ONLY** processed on the RBSS Portal
- 7.2** Upon receipt of a complete application on the RBSS Portal, NBFIRA shall within 90 days, review the application and determine whether a license should be granted to the applicant or not. Applications deemed incomplete are not accepted by the NBFIRA and will be rejected
- 7.3** An application is considered to be complete when **all the necessary documents have been submitted and the non-refundable application fee has been paid**. Upon receipt of a complete application the Authority shall, within the stipulated days for consideration of an application referred to in 6.2 above commence assessment
- 7.4** Once a complete application is received, NBFIRA will assess the documents submitted to determine if the applicant has satisfied all the conditions as prescribed by the respective Acts and applicable Regulations. In order to complete its determination, NBFIRA may require the applicant to submit additional information or may instruct the applicant to make changes deemed necessary. **While NBFIRA awaits a response of these, the application 'clock' will be halted and only resume upon receipt of the requested information.** Incomplete applications will not be referred to a decision-maker
- 7.5** Once an applicant has satisfied the requirements, the application will be approved and a certificate of licence issued. If however, the assessment is completed and it is determined that the applicant has not satisfied the conditions as stipulated by the respective legislation, NBFIRA will inform the applicant in writing of the rejection, stating the reasons for the rejection and informing the applicant of the right to an appeal
- 7.6** If the licence application process is not completed within 6 months, due to outstanding items required from the applicant, NBFIRA may require a new application, a further application fee and updated supporting documentation (e.g. a refreshed business plan and financial information)
- 7.7** It should be noted that the onus is on the licence applicant It should be noted that the onus is on the licence applicant and relevant persons connected with the licence applicant to satisfy the Authority that they are fit and proper, not on the Authority to prove that they are not.