

Financial Stability and State Bank of Pakistan

Under State Bank of Pakistan (SBP) Act, 1956 the SBP is *responsible for securing monetary stability and soundness of the financial system*.

Financial stability is defined as a situation in which the function of efficient financial intermediation and payment services continues without disruptions despite internal and external shocks, and financial risks are monitored and managed well such that the possibility of systemic crises is minimized. The SBP sees financial stability as an evolving process, as the financial sector adapts itself to the needs of the economy and financial globalization.

Efficient financial intermediation and access to financial services across all segments of the population is the ideal situation in which economic growth can thrive. The significance of the financial sector is even more crucial given its inter-linkages with the real sector. SBP being the leading regulator of the financial sector strives to play a facilitating role in the growth of the sector. The confidence of economic agents in the financial sector's ability to meet their financial needs in a convenient and secure manner is also important for maintaining and promoting financial stability. The SBP works closely with the Securities and Exchange Commission of Pakistan (SECP), Pakistan Banks' Association (PBA), the Federal Government, and other regulatory bodies in achieving this goal.

Ensuring financial stability also complements the other important SBP objective of securing monetary stability. It is a tall order to imagine monetary stability in the absence of financial stability. Financial Stability Report (FSR), a biannual publication provides an assessment of financial stability issues and pitches input for policy initiatives. The report gives an independent perspective and commentary on the state of financial stability by providing an objective view on the developments in the financial sector, and giving an in-depth analysis of issues relevant to the financial institutions and markets. It also endeavors to promote informed public debate on various aspects of the financial system.

State Bank of Pakistan welcomes feedback and comments on the FSR.