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**STATE BANK TO INTRODUCE NEW SYSTEM  
OF SURVEILLANCE, MONITORING AND  
SUPERVISION OF BANKS/DFIs**

The State Bank of Pakistan (SBP) is adopting a new system of monitoring, surveillance and supervision of Banks and Development Finance Institutions (DFIs) which will come into effect during this quarter. The system formally known as 'Institutional Risk Assessment Framework' (IRAF) is aimed at ensuring continuous and proactive monitoring of Banks & DFIs.

Explaining the rationale for the new system, the State Bank Governor, Dr. Ishrat Husain in a press statement issued today said that "with the privatization of Habib Bank Limited (HBL) almost 80 percent of banking assets will be in the hands of private sector and thus the State Bank of Pakistan will have to step up its vigilance and watchdog functions in order to protect the interests of the depositors, prevent possible emergence of systemic problems in the financial sector, discourage private banks from taking excessive and unmanageable risks and take timely remedial measures".

Dr. Ishrat Husain pointed out that the previous system of monitoring and supervision served its purpose well when the banks were owned by the government but market based transactions, promotion of healthy competition and, improving the efficiency and services to customers require a different and new approach.

Under the new system, the SBP will follow a cohesive supervisory approach whereby the findings from on-site inspection, periodic reports from off-site surveillance and market information will be integrated to produce a comprehensive assessment and composite internal risk rating of each banking institution. The banks which have low ratings or show high probability of deterioration in financial soundness will then be taken up for prompt corrective action.

The State Bank Governor said that 'this is a paradigm shift in the way we carry out our work but it is imperative that we adopt in response to the changing circumstances'.

Details of the new system are available on our website: [http:// www.sbp.org.pk](http://www.sbp.org.pk)