

March 17, 2014

SBP hosted SAARCFINANCE Seminar on Risk Management Framework in Banks

Mr. Ashraf Mahmood Wathra, Acting Governor, State Bank of Pakistan highlighted the significance of robust risk management framework in banks for healthy banking system and economic growth.

While addressing the participants of the SAARCFINANCE seminar on “risk management framework in banks” held at NIBAF, Islamabad, Mr. Wathra said that banks’ risk management frameworks should strive to cover the full spectrum of risks and should be tailored as per their specific needs and circumstances. Nevertheless, he elaborated on the main elements of a risk management framework which included active role of the Board of Directors of Banks and senior management, establishment of adequate policies, procedures, limits and controls, effective MIS and institutionalization of a risk management function.

He also highlighted the key lessons learnt from the global financial crisis due to weaknesses in the risk management practices. He stressed the need for active involvement of the board of directors elevated role of the Chief Risk Officers (CRO) in the business planning and strategy, alignment of compensation with the risk-adjusted performance, institutionalization of risk culture, and management of risk at enterprise level.

He informed that SBP has established a comprehensive and well balanced regulatory and supervisory framework. In this regard, he mentioned various guidelines and instructions issued by SBP for effective risk management in banks. He further added that a major on-going regulatory development is the implementation of Basel III in Pakistan from December 2013. Further, Pakistan banking industry has a strong capital base as reflected by a capital adequacy ratio of 16 percent.

In the end, he said that expanding business arenas, globalization of financial activities, emergence of new financial products and increased level of competition have opened up opportunities but also increased the potential risks from such developments. Therefore, such regional forums are very helpful in facilitating knowledge exchange and ongoing collaboration for region specific issues which may pose potential risks for each of our banking sectors.

Earlier, Mr. Amir Aziz, MD, NIBAF welcomed the distinguished guests and presented the main concept of the seminar.