

State Bank asks banks to submit new prudential returns for effective monitoring of all kinds of risks

The State Bank of Pakistan (SBP) has introduced a set of prudential returns/statements for banks to enable it to effectively monitor and assess the risks posed by their relationship with the associated undertakings.

The new prudential returns/ statements introduced for all banks incorporated in Pakistan include (A) Details of related parties; (B) Details of exposures to and from related parties; (C) Details of related party dealings and transactions; (D) Details of equity exposures; (E) Details of capital adequacy of subsidiaries; and (F) Latest available financial statements of subsidiaries and associates (as defined in the IAS-28).

SBP has advised all banks incorporated in Pakistan to submit these returns/statements on half yearly basis, effective from half year ending June 30, 2012 and onward. These returns should reach the Banking Surveillance Department of the SBP within 45 days of the close of each half year ending June 30 and December 31. However, banks may submit the returns for half-year ending June 30, 2012 within 45 days from the date of BSD Circular 2 i.e. September 13, 2012.

It may be pointed out that in addition to the risks that banks generally carry on their books, they are also exposed to risks arising out of their relationship with associated undertakings. One of the Core Principles of Effective Banking Supervision issued by the Basel Committee on Banking Supervision also necessitates consolidated supervision of banks, covering all risks, whether they are carried on their own books or on the books of associates. It is, therefore, imperative to monitor and assess the risks posed by such relationships.
