

SBP revises Guidelines on Stress Testing to further strengthen risk management capacity of banks /DFIs

The State Bank of Pakistan (SBP) today issued the revised Guidelines on Stress Testing in order to further strengthen the risk management capacity of banks and Development Finance Institutions (DFIs).

The revised guidelines, which are in conformity with international standards and improved capacity of banks/ DFIs to perform such analysis, have been divided into three sections.

Section 1 of the revised guidelines prescribes standards for designing and implementing the stress-testing framework, Section 2 delineates the mandatory set of stress tests for credit, market and liquidity risk factors using sensitivity analysis, and Section 3 provides guidance on optional stress tests for operational risk, Islamic banking, and advanced approaches, including scenario analysis, and reverse stress tests.

All banks and DFIs have been advised to submit the results of the stress tests as specified in Section 2 on the prescribed format (Annexure –C) of these Guidelines to the Banking Surveillance Department of the State Bank on quarterly basis, starting from quarter ending June 30, 2012, within 30 days of the close of each quarter, says BSD Circular No. 1 dated May 11, 2012.

The complete revised guidelines are on SBP website : www.sbp.org.pk
