



## External Relations Department

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### **State Bank of Pakistan designates Domestic Systemically Important Banks (D-SIBs)**

State Bank of Pakistan has announced the designation of D-SIBs under the Domestic Systemically Important Banks (D-SIBs) framework that was introduced in April 2018.

The D-SIBs framework as introduced by State Bank is consistent with the international standards and practices and takes into account the local dynamics. It specifies the methodology for identification and designation of D-SIBs, enhanced regulatory and supervisory requirements, and implementation guidelines. These enhanced requirements aim to further strengthen the resilience of big banks towards shocks and augment their risk management capacities.

The identification of D-SIBs involves two-step process. In the first step, sample banks are identified each year based on the quantitative and qualitative criteria. In the second step, on the basis of institutions' systemic importance score as determined by their size, interconnectedness, substitutability, and complexity; D-SIBs are designated from among the sample banks.

On the basis of the designation criteria, State Bank has designated Habib Bank Ltd (HBL), National Bank of Pakistan (NBP), and United Bank Ltd (UBL) as D-SIBs. These banks will be required to follow enhanced supervisory and regulatory requirements, including the Higher Loss Absorbency Capital surcharge in the form of additional core equity tier-1 capital (CET1). The HBL will maintain CET1 of 2% while NBP and UBL will maintain additional CET1 of 1.5 %.

Besides these local banks, the branches of Global-Systemically Important Banks (G-SIBs) operating in Pakistan will hold additional CET1 capital against their risk-weighted assets in Pakistan at the rate as applicable on the respective G-SIB.

The bank designated as D-SIB will be required to meet enhanced supervisory and regulatory requirements by end of March 2019.

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