



External Relations Department

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Revision of Guidelines on Stress Testing of the Banking Sector

The State Bank of Pakistan has today released a revised suite of Guidelines on Stress Testing, which replaces the earlier guidelines issued in 2012. Stress testing is a key tool used globally by banks for risk management and capital planning. Accordingly, the revised guidelines will further strengthen the risk management capacity of the banks, Development Finance Institutions (DFIs) and Micro-Finance Banks (MFBs), in line with evolving international best practices and changing local economic and financial dynamics.

The scope of revised guidelines has been broadened to incorporate guidance on Macro-stress Testing (MST), besides the Sensitivity Analysis (SA) with an enhanced number of shock scenarios. In terms of coverage, besides banks/DFIs, the Islamic Banks/Islamic Banking Branches (IBs/IBBs) and MFBs will also perform SA exercise. Further, the Domestic Systemically Important Banks (D-SIBs) will be required to conduct MST annually, which will facilitate in improving the supervision and monitoring of these large sized banks. Moreover, the data submission requirements have been rationalized and financial institutions will now be required to furnish data on a minimal number of variables.

The guidelines also envisage supervisory engagement with banks based on SBP's in-house assessment to ensure that appropriate risk mitigation measures are taken for strengthening the resilience of the individual institutions and the banking system. The guidelines can be accessed at the following link:
<http://www.sbp.org.pk/fsd/2020/C1.htm>
