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State Bank of Pakistan Designates Domestic Systemically Important Banks (D-SIBs)

The State Bank of Pakistan has announced the designation of D-SIBs for the year 2023 under the Framework for 'Domestic Systemically Important Banks (D-SIBs)' notified in April 2018.

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

The identification of D-SIBs involves two-step process. In the first step, sample D-SIBs are identified each year based on the quantitative and qualitative criteria. In the second step, D-SIBs are designated from amongst the sample D-SIBs based on institutions' composite systemic score in terms of their size, interconnectedness, substitutability and complexity.

In line with D-SIBs framework, State Bank has carried out the annual assessment based on banks' financials as of December 31, 2022. As per the assessment, three banks namely National Bank of Pakistan, Habib Bank Limited and United Bank Limited have been designated as D-SIBs for the year 2023. These banks will have to follow additional Common Equity Tier-1 (CET-1) capital requirements, in addition to implementing the enhanced supervisory requirements:

BUCKET	Name of Institution	Additional CET-1 Requirement for Bucket
D	National Bank of Pakistan	2.5%
C	Habib Bank Limited	1.5%
A	United Bank Limited	0.5%

Besides, branches of Global-Systemically Important Banks (G-SIBs) operating in Pakistan will be required to hold additional CET-1 capital against their risk-weighted assets in Pakistan at the rate as applicable on the respective principal G-SIB.

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