

Our Correspondent

State Bank revises banks' risk guidelines

KARACHI: The State Bank of Pakistan (SBP) on Tuesday issued revised guidelines to strengthen the existing stress testing (ST) framework for banks in line with the changing local dynamics and international best practices.

"The scope of revised ST has been broadened to incorporate guidance on scenario analysis, macro-stress testing, and reverse stress testing besides the sensitivity analysis with enhanced number of shock scenarios," the SBP said in a circular.

In terms of coverage, besides banks, development finance institutions, Islamic banks, Islamic banking branches and microfinance banks were now being required to conduct sensitivity analysis exercise, it added.

The SBP also said domestic systemically important banks were required to conduct macro-stress testing and reverse stress testing and submit it as a part of their internal capital adequacy assessment process document. The data submission requirements have been rationalised and financial institutions would now furnish data on a minimal number of variables. The SBP issued the first detailed guidelines on stress testing in 2005.