

SBP unveils designation of D-SIBs for 2020

KARACHI: The State Bank of Pakistan (SBP) Thursday announced the designation of Designates Domestic Systemically Important Banks (D-SIBs) for 2020 under the Framework for D-SIBs that was introduced in April 2018.

According to the SBP, the framework introduced by State Bank is consistent with the international standards and 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.

These 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 banks are identified each year based on the quantitative and qualitative criteria. In the second step, D-SIBs are designated from among the sample banks on the basis of institutions' 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 on the basis of financials of end December 2019.

As per this assessment, three banks viz. Habib Bank Ltd, National Bank of Pakistan, and United Bank Ltd. have been designated as D-SIBs for the year 2020. These banks will continue to follow enhanced supervisory requirements as well as the some additional common equity tier-1 capital (CET-1) requirements.

National Bank of Pakistan and Habib Bank Ltd will be required 2.0 percent Additional CET-1 Requirement for Bucket and United Bank Ltd (UBL) 1.0 percent Additional CET-1 Requirement for Bucket.

Besides, 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 principal G-SIB.