website: www.bangladesh-bank.org
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Department of Financial Institutions and Markets
Bangladesh Bank
Head Office, Dhaka.

DFIM Circular Letter No.09 Date: 06 Poush1427
21 December 2020

Chief Executives/Managing Directors
All Financial Institutions in Bangladesh

Dear Sir,

Revision of 'Guidelines on Stress Testing for Non-Banking Financial Institutions'

Please refer to DFIM Circular No.06, dated 12 July 2012 and DFIM Circular No.02, dated 19 January 2016 by which "Guidelines on Stress Testing for NBFIs" was issued and revised respectively. Now it has been decided to revise the existing guideline partly. Accordingly parts of section 8 of the said guidelines have been revised as follows:

"The WAR will be scaled in rating of 1 to 5 of which 1 fall in **A**, 2 and 3 in **B** and 4 and 5 in **C** Category. The ratings are summarized below:

Scenario Total	Rating	Existing zone	Revised Zone
WAR> 80%	1	Green	A
70%<WAR≤80%	2	Yellow	B
60%<WAR≤70%	3		
40%<WAR≤60%	4	Red	C
WAR≤40%	5		

Insolvency ratio, percentage towards insolvency will also be scaled in 1 to 5 grades after computing the Weighted Insolvency Ratio (WIR) from the three shock levels and set them into three categories, i.e., 1, 2 or 3 depending on the farness from insolvency. WIR ratings will be assigned as under:

Scenario Total	Rating	Existing zone	Revised Zone
WIR<15%	1	Green	1
15%≤WIR<25%	2	Yellow	2
25%≤WIR<45%	3		
45%≤WIR<60%	4	Red	3
WIR≥60%	5		

Overall Rating (WAR-WIR Matrix)

Overall financial strength and resilience of an FI will be identified plotting its achieved ratings in the WAR-WIR Matrix. The overall rating of an FI will be determined with 80% weight of WAR and 20% weight of WIR as under:

<table>
<tr><td rowspan="5">WIR</td><td colspan="4">WAR</td></tr>
<tr><td></td><td>A</td><td>B</td><td>C</td></tr>
<tr><td>1</td><td>A1</td><td>B1</td><td>C1</td></tr>
<tr><td>2</td><td>A2</td><td>B2</td><td>C2</td></tr>
<tr><td>3</td><td>A3</td><td>B3</td><td>C3</td></tr>
</table>

The overall rating of FIs will be defined as under:

WAR-WIR Matrix	**Meaning**
A1, A2	Sound
A3, B1, B2	Moderate
B3, C1, C2, C3	Weak

Reporting Format under Section 14 (14.4 and 14.5) shall be revised accordingly.

All other instructions of the guidelines will remain unchanged. Excel based Reporting Format is available on the website of Bangladesh Bank for all concerned.

This Circular Letter shall come into force with immediate effect.

Yours sincerely,

(Md. Zulkar Nayn)
General Manager
Phone: 9530178