

Department of Financial Institutions and Markets
Bangladesh Bank
Head Office
Dhaka.

DFIM Circular No.02

Date: 06 Magh 1422
19 January 2016

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](#) by which “Guidelines on Stress Testing for NBFIs” was issued to ensure the soundness and sustainability of the financial industry and make the NBFIs more shock resilient.

NBFIs have been undergoing Stress Testing exercise since 2010 and conducting it on quarterly basis. Department of Financial Institutions and Markets of Bangladesh Bank monitors the resilience of the NBFIs under different shock levels of the defined exceptional but plausible shocks.

To make the existing “Guidelines on Stress Testing for NBFIs” more effective and up-to-date, the guidelines have been revised as follows:

1. Increase in NPLs due to default of top large borrowers:

The standard scenarios of shock levels will remain the same i.e. default of top 3 (as minor shock), top 5 (as moderate shock) and top 10 (as major shock). But instead of assuming 100% of the loans/leases disbursed to top borrowers as defaulted (as shocks), only 80% of those loans/leases will be assumed as defaulted in different shocks.

2. To consider Govt. Guarantees and Hypothecation including Collateral Agreement as eligible securities:

Government Guarantees and Hypothecation including collateral agreement of Financial Institutions operating loans/leases activities to specialized sectors (renewable energy, solar power plant etc.) will be considered as eligible securities in case to case basis.

3. Weighted Insolvency Ratio (WIR) ratings shall be amended as follows:

Existing Scenario Total	Revised Scenario Total	Rating	Zone
WIR<10%	WIR<15%	1	Green
10%≤WIR<20%	15%≤WIR<25%	2	Yellow
20%≤WIR<40%	25%≤WIR<45%	3	
40%≤WIR<60%	45%≤WIR<60%	4	Red
WIR≥60%	WIR≥60%	5	

Existing “Guidelines on Stress Testing for NBFIs” will be changed as per the revision above and 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 shall come into force with immediate effect.

Yours sincerely,



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