

Banking Inspection Department

Frequently Asked Questions (FAQs)

Q1. What is the mission of BID?

Ans. The Mission of BID is to strive for soundness and stability of the financial system to safeguard interest of stakeholders through proactive inspections, compatible with best international practices in keeping with the changing global environment in the financial sector.

Q2. What is the function of Banking Inspection Department of SBP?

Ans. The main function of BID is to conduct regular and special onsite inspection of Commercial Banks, DFIs, Micro Finance Institutions (MFIs) (SMEs) and Exchange Companies.

Q3. What is the approach and purpose of inspection?

Ans. The approach of inspection is risk based through which various types of risks to which an institution is exposed to, are identified and measured. Corrective actions are suggested by BID to ensure bank's safety and soundness.

Furthermore, compliance with rules / regulations / guidelines issued by SBP from time to time and other relevant laws is also ensured.

Q4. What is frequency of BID's inspection?

Ans. Inspections are conducted according to a plan, usually on annual basis, depending upon the risk in a bank.

Q5. What is the difference between regular and special inspection?

Ans. Regular inspection is a full scope inspection conducted as per schedule mentioned above. However, special purpose inspection is conducted to look into a specific area whenever need arises. Special inspection is also conducted to entertain complaints received from different quarters.

Q6. Which areas are covered during inspection?

Ans. During full scope inspection overall operations of the institution are covered. Particular emphasis is given on review of advance & investment portfolio, management competency, capital adequacy, earnings, liquidity and adequacy of internal controls.

Q7. What is ultimate usage of inspection reports?

Ans. Inspection report is submitted to the bank's board of directors to take actions for the removal of irregularities pointed out in the inspection report. A copy of report is also submitted to the enforcement division of SBP who advises institutions to furnish time bound action plan in order to address the issues and to rectify the irregularities pointed out in inspection report.

Q8. What other kind of reports are prepared by BID?

Ans. A quarterly report is generated to report the shortcomings and violations on the part of the banking company's management to the Federal Government as per section 40A to BCO, 1962. A report on write-off of loans, mark-up and other dues or financial relief through rescheduling and restructuring and subsidized loans provided by the banking companies, is also prepared on annual basis under section 25AA of BCO, 1962 and submitted to Federal Government.