



## **Letter of Understanding**

State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP) have decided to establish a Council of Regulators (the Council) to mitigate systemic risk. For the purpose, a joint working group of SBP and SECP has prepared Terms of Reference (TOR) of the Council which are placed as Annexure-I.

Establishment of the Council is aligned with the international practices to enhance focus on financial system stability. The Council provides a forum to deliberate upon issues related to systemic risk, particularly those having cross market and stability implications, and make efforts to suggest possible arrangements for crisis preparedness and issue a coordinated response.

The Council will start functioning with immediate effect in accordance with the agreed TOR.

This Letter of Understanding along-with TOR signed on this 26<sup>th</sup> day of May 2017 between SBP and SECP.

For the

State Bank of Pakistan

Riaz Riazuddin  
Governor

For the

Securities and Exchange Commission of  
Pakistan

Zafar Hijazi  
Chairman

**Terms of Reference (TOR) of the Council of Regulators**

1. *Objective of the Council of Regulators (Council):*  
Strengthening Financial System Stability and Managing Systemic Risk
2. *General Provisions:*
  - a) Review and share developments and trends in the financial system including those having systemic implications.
  - b) Deliberate upon issues related to systemic risk, particularly those having cross market and stability implications and suggest possible arrangements for crisis preparedness and issuing a coordinated response.
  - c) Consider making recommendation to the Government on legal reforms for pursuing the objective of the financial stability.
3. *Scope and Coverage:*
  - a) Financial System covering, financial institutions, financial markets and financial infrastructure.
  - b) The Council would not override or substitute the existing functions and responsibilities of member regulatory bodies as defined in their respective constitutional documents.
  - c) Form working group(s)/ task force(s) on key financial stability issues.
4. *Frequency of meetings:*  
At least half yearly, or more often if deemed necessary by the Council.
5. *Membership:*
  - a) State Bank of Pakistan will be represented by the Governor, a Deputy Governor, and an Executive Director. Securities and Exchange Commission of Pakistan will be represented by the Chairman, a Commissioner, and an Executive Director.
  - b) The Council shall decide about addition of any new members, if required.

