

BSD/DIR/GEN/LAB/12/004

February 21, 2019

LETTER TO ALL BANKS

GUIDELINES ON PILLAR 2 RISKS AND STRESS TESTING FOR BANKS

Following the issuance of Exposure Drafts (EDs) of the Guidelines for Pillar 2 Risks (Interest Rate Risk in the Banking Book, Reputational Risk, Credit Concentration Risk, and Business Risk) and Stress Testing in Q2 2018 and the receipt of comments from stakeholders, the Central Bank of Nigeria hereby issues the following Final Guidelines:

1. Guidelines on the Management of Credit Concentration Risk;
2. Guidelines on the Management of Reputational Risk;
3. Guidelines on the Management of Interest Rate Risk in the Banking Book (IRRBB); and
4. Guidelines on Stress Testing for the Nigerian Banks.

The essence of the Guidelines is to set out the minimum expectations with respect to the procedures for the identification, measurement, monitoring, reporting, management and assessment of those risks and stress testing by banks in line with the requirements of the Supervisory Review Process.

All banks are hereby required to adopt the above Final Guidelines with immediate effect (except the one on IRRBB). The guideline on IRRBB will come into effect in **January, 2020**. This is to give room for the development /update of existing infrastructure in respect of IRRBB. The CBN, however, encourages early adoption to ensure alignment of banks' practices with international best practices.

Yours faithfully,

**AHMAD ABUDULAHI
DIRECTOR OF BANKING SUPERVISION**