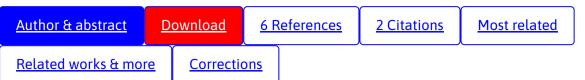
## Designing Stress Tests for the Czech Banking System



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## **Abstract**

The note discusses key issues involved in designing a suitable set of stress tests for the Czech banking system. The aim of the note is to propose stress tests that could be used by the Czech National Bank on a regular basis to assess the soundness of domestic banks, both for purposes of macroprudential surveillance and for banking supervision. The author suggests that the exercise be broadly based on the stress tests conducted during the 2001 IMF-World Bank Financial Sector Assessment Program (FSAP) mission to the Czech Republic. He summarizes the FSAP stress tests, and proposes a number of extensions and modifications. The key recommendations are presented in a table that covers also data requirements and a suggested timeframe for implementation. The note includes results of a replication of the Czech FSAP stress tests for mid-2003 data.

## **Suggested Citation**

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