



تعميم

المحترمون

السادة/

السلام عليكم ورحمة الله وبركاته،

الموضوع: قواعد مشاركة البنوك غير المباشرة في النظام السعودي للتحويلات المالية السريعة.

استناداً إلى الصلاحيات الممنوحة للبنك المركزي السعودي بموجب نظامه الصادر بالمرسوم الملكي رقم م/٣٦ وتاريخ ١١/٠٤/١٤٤٢هـ، ونظام مراقبة البنوك الصادر بالمرسوم الملكي رقم م/٥ وتاريخ ٢٢/٠٢/١٣٨٦هـ، وقواعد تطبيق أحكام نظام مراقبة البنوك الصادرة بالقرار الوزاري رقم ٣/٢١٤٩ وتاريخ ١٤/٠٦/١٤هـ.

مرافق لكم قواعد مشاركة البنوك غير المباشرة في النظام السعودي للتحويلات المالية السريعة، والهادفة إلى وضع معايير الأهلية للمشاركة غير المباشرة في النظام، وتحديد متطلبات اتفاقية مستوى الخدمة بين البنك المشارك بشكل مباشر وغير مباشر في النظام.

للإحاطة، والعمل بموجبه اعتباراً من تاريخه.

وتقبلوا تحياتي،

يحيى

فهد بن إبراهيم الشثري
وكيل المحافظ للرقابة

النائب
نطاق التوزيع:

- البنوك والمصارف العاملة في المملكة.

الطلليحي

Saudi Central Bank (SAMA)

Rules of Saudi Arabian Riyal Interbank Express Indirect Participation

December 2021

البنك المركزي السعودي
SAMA
Saudi Central Bank



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Rules of Saudi Arabian Riyal Interbank Express Indirect Participation

1. Introduction

1.1 Background

These rules are issued by SAMA in exercise of the powers vested upon it under Saudi Central Bank Law issued by Royal Decree No. M/36 on 11/4/1442 H (26/11/2020 G), the Banking Control Law issued by Royal Decree No. M/5 on 22/02/1386 H (11/6/1966 G) and Council Minister Resolution #226 dated 2/5/1440 H.

This document set out respective rules regulating Indirect Participation within the Real Time Gross Settlement System.

Based on SAMA's own discretion, SAMA can direct a Bank to change its status from Indirect Participant to Participant or vice versa giving sufficient notice period. Similarly, SAMA can also hold, limit, suspend or revoke Settlement Agent status of a Bank giving sufficient notice period.

1.2 Definitions

Bank	As defined in Article 1(a) of the Banking Control Law and licensed by its provisions.
National Bank	As defined in Article 1(c) of the Banking Control Law.
Foreign Bank	As defined in Article 1(d) of the Banking Control Law.
Saudi Arabian Riyal Interbank Express	Saudi Arabian Riyal Interbank Express System, the Kingdom's Inter-Bank Electronic Funds Transfer Systems i.e. the Central System at SAMA, the Participants' Gateways, the security sub-system, the Contingency Central System and Gateways, the communications links between these systems, and all other systems used by SAMA in connection with Saudi Arabian Riyal Interbank Express.
Participant	As defined by Rule 2.1.1. of SARIE Operating Rules and Regulations – Version 3.0.
Settlement Agent	A Participant who is authorized by SAMA to clear, settle and record transactions for Indirect Participants.
Indirect Participant	A Non-Participant Bank, whose transactions are cleared, settled and recorded by a Settlement Agent through Saudi Arabian Riyal Interbank Express.

1.3 Scope

1. These rules are only applicable to Banks.
2. Any Financial Institutions, supervised by SAMA or any other regulatory authority, are out of scope in relation to the applicability of these rules.
3. For the avoidance of any doubt, these rules are not applicable to International Corresponding Banking Business.

2. Criteria

2.1 Participant

4. As stipulated in SARIE Operating Rules and Regulations.

2.2 Indirect Participant

5. Subject to SAMA's approval, a bank may opt to apply to register itself as Indirect Participant.
6. A Bank can be a Participant or an Indirect Participant therefore cannot hold both participation statuses at one time.
7. Upon receiving information as per Article 19 of these Rules, SAMA will assess overall risk before approving Tiered Participation Participant arrangement.
8. SAMA may define and impose risk exposure thresholds on case-by-case basis, which Indirect Participant has to monitor on a period basis.
9. Indirect Participant must notify SAMA its expectation on a bi-annual basis to when it is likely to breach thresholds as and if communicated by SAMA.
10. Indirect Participant must provide an updated information as required by Article 22 of these Rules whenever there is a significant change to risk exposures.
11. An existing Participant may apply to de-register itself to be Participant and register itself to Indirect Participant subject to SAMA's approval.

12. An Indirect Participant may appoint only one Settlement Agent in Saudi Arabian Riyal Interbank Express and shall notify the identity of the Settlement Agent to SAMA in writing at least three (3) months before such service come into effect in Saudi Arabian Riyal Interbank Express.

2.3 Settlement Agent

13. Only National Banks having Participant status can be Settlement Agents.
14. Participants must follow SAMA New Banking Products and Services Guidelines before offering Saudi Arabian Riyal Interbank Express Clearing Service to Banks.
15. SAMA may define and impose risk exposure thresholds on case-by-case basis, which Settlement Agent has to monitor on a periodic basis.
16. Settlement Agents must notify SAMA its expectation at least on an annual basis to when it is likely to breach thresholds.
17. Participants, through its own current account with SAMA (as Indirect Participant will not maintain current account with SAMA) must be able to clear all types of SAR transactions on the behalf of their indirect participants without any encumbrance.
18. Participants must have ability and capacity to execute SAMA's monetary operations (Overnight Repurchase Agreement (Repo), Overnight Reverse Repurchase Agreement (Reverse Repo), USD sales etc.) and SAMA's open market operations (SAMA Bills and term Repo etc.) on the behalf of their indirect participants without any encumbrance.

3. Indirect Participant Registration

3.1 Application Letter

19. A bank wish to register itself as Indirect Participant must send application letter to SAMA along with following documents:
 - i) Appointment Letter from Chief Executive Officer (CEO) or equivalent of the Indirect Participant proposing the appointment of Settlement Agent;
 - ii) A letter from the Bank to SAMA explaining to why it is in the Bank's interest to operate as Indirect Participant;

- iii) Draft Service Level Agreement between Settlement Agent and the Bank wishing to register itself as Indirect Participant; and
 - iv) Current Year plus 3 year SAR Payment Instructions Volumes and Values forecast (Incoming and Outgoing) of the Indirect Participant.
20. Based on review of the application letter and documents / information stated in article 19, SAMA will approve Bank's registration as indirect participant to the Bank. SAMA may require additional information or may apply additional criteria on a case-by-case basis.
21. SAMA may reject the request if SAMA is of the view that Bank does not satisfy the Saudi Arabian Riyal Interbank Express Indirect Participation Rules. SAMA can also reject the request if it is of the view that it would be best interest of Financial Sector for the Bank to be Participant.

3.2 Appointment of Settlement Agent

22. As a part of appointing Settlement Agent, Indirect Participant must ensure that:
- i) the Settlement Agent is authorized to clear, settle and record transactions for Indirect Participants;
 - ii) the Settlement Agent has operational, technical, financial and organizational capacity to support the needs of the Indirect Participant;
 - iii) it has identified all material dependencies on its Settlement Agent and must satisfy itself on the arrangements Settlement Agent has in response to those dependencies;
 - iv) it has performed detailed risk assessment on the Settlement Agent; and
 - v) all arrangements are in place with Settlement Agent to satisfy Indirect Participant's own clearing liabilities such for e.g. Intraday and / or Overnight Liquidity Facilities.

3.3 Onboarding of Indirect Participant

23. As a part of its onboarding process, Settlement Agent should ensure that:
- i) it has identify, assess and document the risk associated with its provision of Saudi Arabian Riyal Interbank Express clearing and settlement services to the

Indirect Participant including the impact of its own additional capital requirement due to increase in risks.

- ii) it has ability and capacity to clear Indirect Participant's liabilities (whether prefunded or not) i.e. Settlement Agent must ensure that it maintain adequate liquidity with SAMA to ensure its and its indirect participant's liabilities are cleared on a timely manner. It establishes and operates such controls, policies and arrangements as are necessary to ensure that it has appropriately mitigated to an acceptable level the risks associated with providing Saudi Arabian Riyal Interbank Express clearing and settlement services to its Indirect Participant.
- iii) it has taken reasonable steps to ensure that the Indirect Participant to whom it will provide do not jeopardize the safety, integrity or reputation of the Saudi Arabian Riyal Interbank Express.
- iv) it has performed detailed risk assessment on its portfolio of Indirect Participants once additional Indirect Participant will be on-boarded.

3.4 Service Level Agreement

- 24. Both parties ("Indirect Participants and Settlement Agents") must ensure that they have a legally enforceable service level agreement in place under jurisdiction of Kingdom of Saudi Arabia.
- 25. Scope of services, roles and Responsibilities of both parties must be clearly defined.
- 26. Effective and expiry dates of the agreement, mechanism of renewal and requirement of periodic review of the agreement must be clearly defined.
- 27. All key performance indicators and its related attributes such as (but not limited to) definitions, calculation methods, threshold levels, frequency of measurements, reporting mechanism etc. must be clearly defined.
- 28. All applicable Information Security and Business Continuity Requirements pertaining to both parties in case of Incidents and Disasters must be clearly documented.
- 29. Both parties must ensure that dispute resolution arrangements are clearly documented including details of the charges payable in case of error, back value etc.

30. Both parties shall establish a process regularly to monitor and document (at a minimum annually) the performance of each other against their contractual obligations in respect of the service level agreement.

4. Risk Management

4.1 Material Dependencies

31. As part of appointment process of Settlement Agent, Indirect Participant should assess and document all its material dependencies on the Settlement Agent. Indirect Participant must ensure that they have adequate arrangements to manage these dependencies, as Settlement Agent will clear all types of SAR transactions of Indirect Participant.

32. Similarly, as part of Indirect Participant On-boarding process, Settlement Agent should assess and document all its material dependencies on Indirect Participant and review adequacy of the arrangements Indirect Participant have to manage these dependencies.

33. Both parties must re-assess and document review of the dependencies identified in Article 31 and 32 above and their arrangements to manage those dependencies at least on an annual basis. As a part of annual review process, both parties should receive/provide updates from/to each other on the arrangements in place to manage material dependencies both parties have on each other.

34. As a part of annual or subsequent review process, both parties should consider whether there are any new material dependencies identified since the last review or appointment date.

35. Both parties should review the effects of all incidents (operational, technical or others) incurred on the service since the last review. Both parties must satisfy themselves that all the remedial action taken to mitigate risk(s) are designed, implemented and operating effectively.

36. Both parties must ensure that similar process is carried to all newly identified dependencies as stated in Article 33 above.

37. Both parties must maintain an up to date log of all incidents that caused disruption to the services with sufficient detail i.e. nature of the incident, detail of its root cause and disruption created, any losses incurred, details of remedial action and status of the remedial action.

4.2 Prudential Requirements

38. Settlement Agent must incorporate all credit lines (utilized, unutilized, committed and uncommitted) assigned to indirect participants as part of the SAMA's requirements for measuring Counterparty credit risk at the time of on-boarding and on an on-going basis.
39. Indirect Participant must incorporate, manage and measure Settlement Agent Counterparty credit risk especially the cash balance and collateral held by Settlement Agent.
40. Both parties must measure and incorporate all associated risks with Tiered Participation arrangement as part of the Prudential Risk Requirements at the time of inception and on an on-going basis.

5. Other Provisions

5.1 Reporting Requirements

41. Settlement Agent must file statistical report return relating to its Indirect Participants within 5 working days of the month end as prescribed in Appendix 1.
42. Settlement Agent must report all operational incidents and/or credit events relating to services provided to its Indirect Participants within 24 hours of the incident / event occurrence followed by a full report within 7 working days of occurrence detailing the cause(s) of event along with remedial action taken to avoid repetition.
43. Similarly, Indirect Participant must report all operational incidents and/or credit events relating to services provided by its Settlement Agent within 24 hours of the incident / event occurrence followed by a full report within 7 working days of occurrence detailing the cause(s) of event along with remedial action taken to avoid repetition.
44. In case of an operational incident and / or credit event, SAMA encourages both parties to work closely with each other to remediate the effect(s) of incident / event effectively and efficiently. SAMA also encourages both parties to submit joint report instead of submitting separate reports as prescribed in article 42 and 43 of these rules. In case, either Settlement Agent or Indirect Participant submits a joint report, then both parties will be no longer required to submit separate reports as prescribed in articles 42 and 43 of these rules.

45. Banks are required to submit a copy of the report to SAMA via the following email address: Share-Business@SAMA.GOV.SA

5.2 End User Terms

46. Settlement Agent shall ensure that the contract between the Indirect Participant and its End Users provides (in easily understandable language and in a clear and comprehensible form) all matters related to services relating to Saudi Arabian Riyal Interbank Express.

Appendix 1 – Monthly Statistical Return

Part A: SAR Outgoing Instructions

<i>Insert name of the Settlement Agent</i>				Monthly Indirect Participants SAR Outgoing Instructions					<i>Month, YYYY</i>	
Date	Indirect Participant's <i>Name 1</i>		Indirect Participant's <i>Name 2</i>		Total Indirect Participants Instructions		Total Saudi Arabian Riyal Interbank Express Instructions processed by Settlement Agent		Percentage of Indirect Participant Instructions over Total Saudi Arabian Riyal Interbank Express Instructions	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume (%)	Value (%)
a	b	c	d	e	f = b + d	g = c + e	i	j	k = f/i x 100	l = g/j x 100
<i>dd/mm/yyyy</i>										
<i>dd/mm/yyyy</i>										
<i>dd/mm/yyyy</i>										
Total										

In case of a bulk instruction – take volume of individual instructions within the bulk instruction

Part B: SAR Incoming Instructions

<i>Insert name of the Settlement Agent</i>				Monthly Indirect Participants SAR Incoming Instructions					<i>Month, YYYY</i>	
Date	Indirect Participant's <i>Name 1</i>		Indirect Participant's <i>Name 2</i>		Total Indirect Participants Instructions		Total Saudi Arabian Riyal Interbank Express Instructions processed by Settlement Agent		Percentage of Indirect Participant Instructions over Total Saudi Arabian Riyal Interbank Express Instructions	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume (%)	Value (%)
a	b	c	d	e	f = b + d	g = c + e	i	j	k = f/i x 100	l = g/j x 100
<i>dd/mm/yyyy</i>										
<i>dd/mm/yyyy</i>										
<i>dd/mm/yyyy</i>										
Total										

In case of a bulk instruction – take volume of individual instructions within the bulk instruction

Part C: Credit Lines and Collateral

<i>Insert name of the Settlement Agent</i>		Credit Lines and Collateral Held				As of <i>DD/MM/YYYY</i>	SAR' mn	
Indirect Participant's Name	Credit Lines					Value of Collateral Held		
	Total	Unutilized	Utilized	Committed	Uncommitted	Total	Cash	Non- Cash
	a**	b	c	d	e	***g	h	i
Indirect Participant's <i>Name 1</i>								
Indirect Participant's <i>Name 2</i>								
Indirect Participant's <i>Name 3</i>								
Total								

** a = b + c = d + e

*** g = h + i