



البنك المركزي السعودي
SAMA
Saudi Central Bank



تعميم

المحترمون

السادة/

السلام عليكم ورحمة الله وبركاته،

الموضوع: تحديث آلية احتساب المؤشر المرجعي (سايبور/سايبد).

إلحاقاً إلى تعميم البنك المركزي رقم ٣٠٩٨٦/٦٧ وتاريخ ١٤٤٠/٠٥/١٧ هـ بخصوص سعر الإقراض ما بين البنوك (SAIBOR).

نفيدكم أنه استناداً إلى نظام البنك المركزي السعودي الصادر بالمرسوم الملكي رقم م/٣٦ وتاريخ ١٤٤٢/٠٤/١١ هـ ونظام مراقبة البنوك الصادر بالمرسوم الملكي رقم م/٥ وتاريخ ١٣٨٦/٠٢/٢٢ هـ، وتماشياً مع المبادئ والتوصيات الدولية وأفضل الممارسات، وللحفاظ على جودة وسلامة المؤشر المرجعي، فقد تقرر تحديث التعليمات الواردة في التعميم المذكور آنفاً لتتضمن تحسينات لآلية احتساب السايبور والسايبد، وعليه يتعين على البنوك الآتي:

- اعتماد الآلية المحدثة والتعليمات المرفقة لحساب المؤشر المرجعي.
- الالتزام بقواعد السلوك المحدثة المتفق عليها بين الجهة المسؤولة عن احتساب المؤشر المرجعي والبنوك المساهمة في احتسابه.
- القيام بكافة الترتيبات والمعالجات النظامية والتعاقدية اللازمة بما في ذلك ما يتعلق بالعقود القائمة والمسائل المالية والقانونية والتنظيمية والضريبية والمحاسبية لتطبيق التعاريف والآلية المحدثة لاحتساب المؤشر المرجعي.
- القيام بمراجعة نماذج العقود والاتفاقيات وتحديثها بحسب الحاجة لتتضمن بنود وأحكام أكثر مرونة.

ويؤكد البنك المركزي على أن هذا التعميم لا يعفي البنوك من مسؤولية القيام بالمراجعة النظامية والقانونية، واتخاذ كافة الإجراءات اللازمة لمعالجة أوضاع العقود والاتفاقيات ذات الصلة، كما أنه يقع على عاتق البنك المعني المسؤولية الناتجة عن عدم التوصل إلى المعالجات أو التسويات اللازمة بشأن تلك العقود والاتفاقيات.

وعليه، مرافق تعليمات المؤشر المرجعي (سايبور/سايبد) المحدثة، لتحل محل التعليمات الصادرة بموجب التعميم المشار إليه أعلاه.

للإحاطة والعمل بموجبه من تاريخ ٢٦ ديسمبر ٢٠٢١ م، علماً أن عملية الانتقال ستتم بشكل تدريجي وفقاً لتوجيهات البنك المركزي.

وتقبلوا تحياتي،

فهد بن إبراهيم الشثري
وكيل المحافظ للرقابة

نطاق التوزيع:

- البنوك والمصارف العاملة بالمملكة

الرقابة

Saudi Central Bank (SAMA)
Saudi Arabian Benchmark (SAIBOR/SAIBID)

December 2021

البنك المركزي السعودي
SAMA
Saudi Central Bank



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Saudi Arabian Benchmark (SAIBOR/SAIBID)

1. Introduction

To maintain the quality and soundness of the Saudi Arabian Benchmark “SAIBOR/SAIBID”, banks were instructed in 2017 to form a SAIBOR technical working group (TWG) under the supervision of SAMA. The TWG includes representatives from Saudi Banks, the benchmark administrator and the Saudi Central Bank. The members were tasked to review the integrity and robustness of the current Saudi Arabian Interbank Offered Rate (SAIBOR) and identify areas for enhancement.

The enhancements to SAIBOR/SAIBID below are compatible with International Organization of Securities Commissions (IOSCO) principles for financial benchmarks. These enhancements were the results of the TWG assessment of the existing methodology and the results of the contributor banks surveys, feedback from a public market consultation performed by the benchmark administrator on the key changes being made to the methodology and the results of the benchmark administrator testing phase to demonstrate how the enhanced methodology would perform as compared to existing SAIBOR.

The enhancement issued by SAMA in exercise of the authority vested under the Saudi Central Bank Law issued via Royal Decree No. M/36 dated 11/04/1442H, and the Banking Control Law issued 22/02/1386H.

These requirements supersedes the previous requirements provided in Circular No. 30986/67 issued in 17/05/1440H.

2. Definition of SAIBOR/SAIBID

SAIBOR – The Saudi Arabian Interbank Offered Rate (“SAIBOR”) benchmark is an indicative offer rate at which contributor panel banks would be able to borrow unsecured interbank funds in Saudi Riyals, anchored in transactions where possible together with a historical spread adjustment. A waterfall methodology is applied to enable a rate to be published in a wide range of market circumstances.

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SAIBID – SAIBID is a benchmark representing the realized cost of contributor panel banks’ wholesale unsecured funding in Saudi Riyals, anchored in transactions where possible. A waterfall methodology is applied to enable a rate to be published in a wide range of market circumstances.

3. Bank calculation methodology

3.1 SAIBOR and SAIBID will be based on contributor bank submissions, determined using a standardized waterfall methodology, as summarized below.

	SAIBID Submission	SAIBOR Submission
Level 1 Where a SAIBOR contributor bank has sufficient eligible transactions	Volume Weighted Average Price (VWAP) only	VWAP plus Spread Percentage
Level 2 Where a SAIBOR contributor bank has insufficient eligible transactions to make a Level 1 submission	VWAP (including credit spread adjustment)	VWAP (including credit spread adjustment) plus Spread Percentage
Level 3 The SAIBOR contributor banks may only provide a Level 3 submission if there are insufficient eligible transactions to make a submission at Level 1 or Level 2. If there are transactions that would be eligible for Level 1 or Level 2, except that they took place prior to a move in policy rates, then the process described below under SAMA Policy Rate Moves shall be followed for the purpose of Level 3.	Subject to process described SAMA Policy Rate Moves below, expert judgment will estimate the VWAP that would have been calculated had unsecured eligible transactions occurred in the last business day.	Subject to process described in SAMA Policy Rate Moves below, expert judgment will estimate the VWAP that would have been calculated had unsecured eligible transactions occurred in the last business day and will include the Spread Percentage

3.2 The key terms set out in the above table and subsequently in this document will be defined as following:

- **Spread Percentage:** As of the date of this Circular, the Spread Percentage is 16 per cent and represents the difference between SAIBOR

and SAIBID across all relevant tenors for the most recent five years of publicly available data. The Spread Percentage will be applied to each submission in order to create the SAIBOR submission. The appropriateness of the level of Spread Percentage will be reviewed regularly on at least an annual basis and more frequently if required by market conditions. Under the review process, the benchmark administrator will consult with the panel of contributing banks and will amend the Spread Percentage subject to approval by SAMA.

- **Spread Cap:** the Spread Percentage may be subject to a cap to be introduced and specified at the discretion of SAMA should market conditions require it. Following any such introduction of a Spread Cap, it shall be reviewed regularly on at least an annual basis and more frequently if required by market conditions. Under the review process, the benchmark administrator will consult with the contributing banks and will introduce or amend (as relevant) the Spread Cap subject to approval by SAMA.
- **Credit Spread Adjustment (Level 2):** Saudi Riyal repo transactions used in Level 2 may be collateralized with any type of Saudi Riyal fixed income security. Such a secured transaction will typically be priced at a lower rate than an equivalent unsecured transaction. In order to maintain consistency with Level 1 submissions and the objective of SAIBOR, a contributor bank will use expert judgment to include a suitable credit premium in the VWAP created from the secured repo transaction(s) before making the Level 2 submission. Expert judgment may not be used for any other purpose for a Level 2 submission and is subject to the submission procedures and recording keeping requirements described under “Expert Judgment” below. The credit premium should reflect the nature and credit quality of the collateral used in the repo transaction(s) and result in a submission rate that is equivalent to an unsecured transaction rate.

- **Business Day:** A “business day” for the purposes of a SAIBOR submission is defined as the 24 hour period from the start of the submission window on the previous business day until the start of the submission window on the current day of the submission.

- **Expert Judgment:**
 - Where expert judgment is used, the panel banks have the flexibility to determine its own expert judgment approach.
 - Expert judgment approach must be properly documented in the SAIBOR internal submission procedures developed by each SAIBOR contributor bank. These submission procedures are subject to appropriate internal governance processes¹. Each contributor bank will notify SAMA and the benchmark administrator of its submission procedures by no later than 31 December 2021 and at least annually thereafter. In addition, each contributor bank will notify SAMA and the benchmark administrator following any significant change to its submission procedures. In each case, notice will be provided by a contributor bank by submitting a copy of its submission procedures to SAMA and the benchmark administrator². When submitting such submission procedures to SAMA and the benchmark administrator each contributor bank shall include a statement stating that the version of the submission procedures provided has been approved by its Board or its Board delegated authority.
 - The SAIBOR internal submission procedures and records detailing the factors and judgment used in each daily submission must be available at all times to be shared with SAMA and/or the administrator upon request.

¹ For the avoidance of doubt, each contributor bank’s submission procedures shall properly document its SAIBOR and SAIBID submission procedures in respect of the SAIBOR and SAIBID contributions to the benchmark administrator as detailed further in paragraph 2.4 below, including (but not limited to) eligible transaction and other data inputs in calculating submissions for Level 1, 2, and 3 submissions and policies guiding and detailing its expert judgment approach.

² Copies of each contributor bank’s submission procedures should be provided to: (1) SAMA at the following email address: BankingDataSection@SAMA.GOV.SA; and (2) the benchmark administrator at the following email address: FRCompliance@lseg.com.

3.3 Contributor banks are required to implement a process whereby the Head of Asset and Liability Management (ALM) or similar position in the bank (without any role in proprietary trading) takes the responsibility for submission of the SAIBOR/SAIBID rates on a daily basis to the benchmark administrator independently without any influence from the bank's Treasurer or the Deputy Treasurer. Banks are required to obtain SAMA's approval for individuals in these roles as per SAMA circulated requirements for Appointments to Senior Positions in Financial Institutions Supervised by the Saudi Central Bank using SAMA standard fit and proper application.

3.4 Contributor banks must develop and implement reasonable submission procedures based on the applicable SAIBOR/SAIBID methodologies. The overall submission procedures should at a minimum include the following:

- Eligible transaction and other data inputs in calculating submissions
- Record the level of the waterfall used to calculate the submission ;
- Procedures to detect and evaluate the bona-fide nature of such transactions and inputs;
- Policies guiding and detailing the use of expert judgment, including documentation;
- Maintaining reports, records and underlying documentation supporting submissions;
- Procedures for pre-submission validation of eligible inputs and procedures for review by senior staff to check inputs before submission.

3.5 The submission procedures should be approved by the Board or Board delegated authority and should be consistently applied. Each contributor bank should ensure that its Internal Audit Department undertakes an annual review of the process and of the methodologies and report to the relevant contributor bank's Senior Management, Audit Committee and the Board on the compliance with the established policies and procedures.

4. Minimum Eligible Transaction Size

A minimum size for each individual eligible transaction of SAR10mm for the O/N, 1 week, 1 month and 3 month SAIBOR tenors. For 6 month

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and 12 month SAIBOR tenors, there is no minimum size for individual transactions to be eligible but the aggregate transaction size (that is, the combined size of all transactions used in the VWAP calculation for Level 1 or Level 2) must be equal to or greater than SAR 50mm in order for the VWAP to qualify for a SAIBOR submission.

5. Transaction Tenor Criteria

Benchmark submissions are currently computed for 6 tenors

Tenor	Permitted maturity range
Overnight	1 business day, and must be an overnight transaction
1 week	5 business days
1 month	From 25 to 35 calendar days inclusive
3 month	From 80 to 100 calendar days inclusive
6 month	From 150 to 210 calendar days inclusive
12 month	From 330 to 390 calendar days inclusive

The qualifying ranges can be progressively tightened as the market deepens.

6. Transaction Window and Publication

SAIBOR will be published at 12:00pm KSA time. The transaction window for data collection will be as of 11:00am of the previous business day up and until 11:00am of the current business day. Subsequently, contributor banks will be able to submit their contributions to the benchmark administrator from 11:00am up until 11:50am.

7. Final Calculations and Averaging

Under the enhanced methodology, the following Minimum Contribution Criteria shall apply.

Contributions Received	Number of High Contributions Trimmed	Number of Low Contributions Trimmed
5 or more	2	2
4 or fewer	N/A	N/A

- Where 5 or more contributions are received, the contributions will be applied with a trimming methodology where the 2 highest and lowest contributions, per tenor, are excluded from the calculation, once the trimming methodology has been applied, the SAIBOR rates will be

calculated as an average of the remaining rates and published to 5 decimal places.

- If fewer than 5 contributions are received by the time that SAIBOR is due to be published, the fallback arrangement described below will apply.

Fallback Arrangement

- If the minimum 5 contributions are not received by 11:50am KSA time, a fallback arrangement is triggered. Triggering the fallback arrangement extends the contribution window by 30 minutes from 12:00pm to 12:30pm KSA time to accept additional contributions from contributor banks who have not contributed.
- If the minimum contributions are reached by 12:30pm KSA time, the benchmark will be released. If not, the previous day's SAIBOR value will be republished together with a flag indicating a republication.

8. Contributor banks Standards for Submission and Data Keeping

Banks expected to:

- Submit SAIBOR/ SAIBID will reflect the true price of unsecured wholesale liquidity in the KSA Market.³
- Maintain records and evidence to substantiate the rates submitted to the benchmark administrator.
- In case of significant perceived credit deterioration of a SAIBOR and SAIBID contributing bank, Saudi Central Bank and the benchmark administrator will review the eligibility of the bank concerned.

9. Reporting to SAMA

Contributor banks are required to provide a monthly report on their interbank transactions using the SAMA SAIBOR/SAIBID monthly return (attached) within five (5) working days after the end of each month to BankingDataSection@SAMA.GOV.SA.

³ Wholesale liquidity is defined as unsecured SAR funding from all sources for the banks with maturities of less than one year excluding retail deposits less than SAR10million and equity.

Annex 1: Eligibility detailed Criteria

Waterfall Level	Eligible Transaction Types	Eligible Counterparty	Minimum Transaction Size	Minimum No. of Transactions
Level 1	<ul style="list-style-type: none"> ▪ Unsecured wholesale Saudi Riyal deposits received or raised by the SAIBOR contributor bank from an eligible counterparty. ▪ Domestic primary and secondary market transactions by a SAIBOR contributor bank where it raises funds via unsecured certificates of deposit (CDs) and commercial paper (CPs) where such instruments are: <ol style="list-style-type: none"> 1. Denominated in Saudi Riyals; 2. The transactions take place in the domestic KSA market; and 3. Issued by the relevant SAIBOR contributor bank itself. <p>Exclusions:</p> <ul style="list-style-type: none"> - <i>Structured deposits</i> - <i>Internal transactions such as transactions with a subsidiary (including a subsidiary that is a fund and including transactions between contributor bank branches and its head office).</i> - <i>Unsecured deposits made by SAMA unless expressly advised otherwise by SAMA</i> 	<ul style="list-style-type: none"> ▪ Banks ▪ All central banks⁴ ▪ Government Related Entities (GRES) ▪ Non- bank Financial Institutions ▪ Corporates and all retail segments (that meet the required minimum threshold amount) 	<ul style="list-style-type: none"> ▪ O/N, 1 week, 1 month and 3 month SAIBOR tenors - minimum size for individual transactions of SAR10mm ▪ 6 month and 12 month SAIBOR tenors: ▪ no minimum size for individual transactions. ▪ -aggregate transaction size of all transactions used in the VWAP calculation must be equal to or greater than SAR 50mm. 	<ul style="list-style-type: none"> ▪ Transactions with a minimum of 2 different counterparties, provided if only one eligible transaction has taken place following a move in policy rates by SAMA during the Lookback Period, that single transaction shall be used to make a Level 1 submission.

⁴ Including SAMA deposits but only where transacted at market prices and are specified for inclusion by SAMA

	<p><i>and where transacted at market prices.</i></p> <ul style="list-style-type: none"> - <i>Transactions which have been entered into outside of the applicable lookback period. See Lookback Period below.</i> - <i>Transactions that occurs before a move in the repo or reverse repo policy rates by SAMA. See SAMA Policy Rate Moves below.</i> 			
Level 2	<ul style="list-style-type: none"> ▪ Saudi Riyal repo transactions (excluding those with SAMA) which have the economic effect of the contributing bank being the receiver (i.e. borrower) of Saudi Riyals. All types of Saudi Riyal fixed income securities are permitted collateral for an eligible repo transaction. <p>Exclusions:</p> <ul style="list-style-type: none"> - <i>Internal transactions such as with a subsidiary (including a subsidiary that is a fund and including transactions between contributor banks branches and its head office).</i> - <i>Repo transactions with SAMA.</i> - <i>Transactions which have been entered into outside of the applicable lookback period.</i> - <i>Transactions that occurs before a move in the repo or reverse repo policy rates by SAMA. See SAMA Policy Rate Moves below.</i> 	As per Level 1	As per Level 1	A Level 2 submission may be made using a single eligible repo transaction.

Level 3	<p>Subject to the “Sama Policy Rate Moves”, acceptable Level 3 inputs that may be used to form the expert judgment used to determine a Level 3 submission are⁵:</p> <ul style="list-style-type: none"> ▪ Transactions that are outside the specified tenor buckets; ▪ Interpolation/extrapolation (from transactions in the markets underlying Level 1 and Level 2); ▪ Other market instruments: interest rate swaps, money market operation rates, forward rate agreement/single period swaps, overnight-indexed swaps, SAMA bills; ▪ Macro-economic factors (monetary policy change, policy rate change in major economies & significant economic data); ▪ Credit standing i.e. a published and verifiable change in the credit standing of the bank; and ▪ Other factors: those that can be evidenced and verified, as agreed with a contributor panel bank's internal compliance and risk.
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The key terms set out in the above table be defined as following:

- **Lookback Period:** When identifying eligible transactions for Level 1 or Level 2, a SAIBOR contributor bank must first use transactions executed during the last business day. If there are insufficient eligible transactions in the last business day, the SAIBOR contributor bank may extend the period to the last two business days. This process may be repeated, extending the period by one business day at a time, until either sufficient eligible transactions have been obtained or until a maximum of five business days has been reached.

For the avoidance of doubt, the process of looking back by one extra day at a time (up to a maximum of 5 business days and subject to any moves in policy rates by SAMA) must be completed for Level 1 before the contributor bank moves to Level 2. If sufficient eligible transactions are found in the Lookback Period for Level 1, these will be used to create a submission even if more recent transactions exist that would be eligible for Level 2.

Banks are allowed to use Level 3 inputs without any restriction on maximum number of business days.

- **SAMA Policy Rate Moves:** No transaction that occurs before a move in the repo or reverse repo policy rates by SAMA will be an eligible transaction for Level 1 or Level 2. This also applies intraday: any transaction that occurs before

⁵ Level 3 should represent the Bid-side of the market but SAIBOR submissions determined using Level 3 should include the Spread Percentage (see table in Section 2.2)

a policy rate move during a business day will not be an eligible transaction. The following process shall apply following a policy rate move by SAMA:

1. Eligible transactions that take place after the policy rate move will be used to make a Level 1 submission. If there are insufficient eligible transactions (see Level 1 eligibility criteria above) following such a move during the maximum five day look back period, Level 2 will be used.
2. Eligible transactions that take place after the policy rate move will be used to make a Level 2 submission. If there are insufficient eligible transactions (see Level 2 eligibility criteria above) following such a move during the maximum five day look back period, Level 3 will be used.
3. Where Level 3 is used following a policy rate move by SAMA, both Level 1 eligible transactions and also Level 1 transactions that would have been eligible except for the fact that they took place before the move in policy rates by SAMA will be used, when exercising expert judgment, to create a VWAP, subject to the process described under Lookback Period above. The VWAP will then be adjusted by the SAIBOR contributor bank to adjust for the effect of the move in policy rates. Such adjustment will be in accordance with the contributor bank's documented internal submission procedures. Submissions for SAIBOR will include the Spread Percentage adjustment to the final VWAP and submissions for SAIBID will exclude the Spread Percentage adjustment to the final VWAP.
4. Where Level 3 is used following a policy rate move by SAMA and there are insufficient Level 1 eligible transactions (see Level 1 eligibility criteria above) to create a submission even when including Level 1 transactions that took place before the move in policy rates, then both Level 2 eligible transactions and also Level 2 transactions that would have been eligible except for the fact that they took place before the move in policy rates by SAMA will be used to create a VWAP, subject to the process described under Lookback Period above and including the adjustment for the credit premium detailed above under "Credit Spread Adjustment (Level 2)". For the purposes of exercising expert judgment, the VWAP will then be adjusted by the SAIBOR contributor bank to adjust for the effect of the move in policy rates. Such adjustment will

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be in accordance with the contributor bank’s documented internal submission procedures. Submissions for SAIBOR will include the Spread Percentage adjustment to the final VWAP and submissions for SAIBID will exclude the Spread Percentage adjustment to the final VWAP.

5. If there are insufficient transactions for both Level 1 and Level 2 including transactions that took place prior to a policy move by SAMA, expert judgment alone will be used by a SAIBOR contributor bank to make a submission.
6. Where a VWAP is adjusted at Level 3 as described above, the size of the adjustment should not exceed the size of the move in policy rates by SAMA except where the SAIBOR contributor bank has strong reasons to believe that a larger adjustment is required to ensure that the submission is representative of current market conditions. In all cases where expert judgment is used including such VWAP adjustments, a contributor bank must record all the factors used in determining the submission it makes as detailed under “Expert Judgment” above.

SAMA SAIBOR/SAIBID monthly return

Instruction guidelines

How to report the data

Scope of consolidation

The information is asked at the solo domestic level of each bank.

Reference date

The reference date should be 30/31 of each month.

Completeness of the analysis

Please provide your responses on the relevant cells in the excel file without modifying the format of the templates.

Quantitative information

The quantitative responses should be amounts in SAR '000. The Bank's input for SAIBOR/SAIBID rate each day should be included in all tabs 'SAIBOR', 'SAIBID' and 'Other info'

Qualitative information

Please provide specific responses to the qualitative questions at a sufficient level of detail to achieve the objectives of the return.

Sample data

We have taken a sample example to demonstrate how the return should be filled.

Contact persons

Kindly refer to SAMA's SAIBOR/SAIBID circular for report submission details which can be found under "Reporting to SAMA"

Deadline for submission

5 working days

