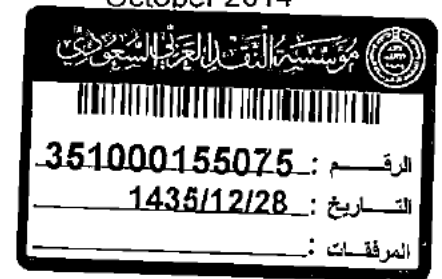


Saudi Arabian Monetary Agency

Banking Supervision Dept.

October 2014

From : Saudi Arabian Monetary Agency
CC : H.E. The Deputy Governor for Supervision
To : All Banks
Attention : CFOs and CROs



Subject: BCBS Document issued in October 2014 regarding Frequently Asked Questions on the Basel III Leverage Ratio Framework

SAMA refers to its circular # 351000133367 dated 25 August, 2014 regarding its guidance on the implementation of the BCBS document of January 2014 entitled "Basel III Leverage Ratio Framework" for implementation in January 2015. Recently, the BCBS has issued a document entitled "Frequently Asked Questions on Basel III Leverage Framework" that addresses various issues raised by the banks.

To promote consistent global implementation of the Basel requirements, the Committee has agreed to periodically review *frequently asked questions* (FAQs) and publish answers along with any technical elaboration of the standards text and interpretative guidance that may be necessary.

This document sets out the first set of FAQs that relate to the Basel III leverage ratio framework. The questions and answers are grouped according to different areas, which are in the order (i) criteria for the recognition of cash variation margin associated with derivative exposures (section 1); (ii) centrally cleared client derivative exposures (section 2); (iii) netting of securities financing transactions (SFTs) (section 3); (iv) the treatment of netting of SFTs and derivatives under a *cross-product* netting agreement (section 4); and (v) the exposure measure under the additional treatment for credit derivatives (section 5).

This document can be obtained from the BCBS Website (www.bis.org) which banks must review in the context of SAMA's implementation framework.

Best regards,


Alwaleed Alsheikh
Director of Banking Supervision