



Banking Supervision Dept.

From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers, General Managers
Subject : **A Basle Committee on Banking Supervision Press Release of 15 February 2013 concerning its final guidance for Managing Risks associated with the settlement of foreign exchange transactions**

This Guidance published on 15 February 2013 updates the Basel Committee's Supervisory guidance for managing settlement risk in foreign exchange transactions. Since the publication of that guidance in 2000, the foreign exchange market has made significant strides in reducing the risk associated with settlement of FX transactions. Substantial FX settlement-related risks remain, however, not least because of the rapid growth in FX trading.

While the original 2000 guidance focused mainly on the principal risk element of FX settlement-related risks, the new guidance is intended to address a broader spectrum of FX settlement-related risks. It provides more comprehensive and detailed direction on governance arrangements and the management of principal risk as well as all other FX settlement-related risks. In addition, the guidance promotes the use of payment-versus-payment arrangements, where practicable, to reduce principal risk. It should be noted that this guidance was drawn up in close consultation with the Committee on Payment and Settlement Systems. This paper can be obtained from BIS website: www.bis.org.

The guidance is organized into seven "guidelines" that addresses governance, principal risk, replacement cost risk, liquidity risk, operational risk, legal risk and capital for FX transactions. Bank should accordingly include where applicable the guidance offered by this finalized BCBS Press Release and Document in their respective internal governance and risk management policies and procedures.

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