

Saudi Arabian Monetary Agency

HEAD OFFICE



Deputy Governor
For Supervision

From : Saudi Arabian Monetary Agency (SAMA)
To : All Banks (Local)
Attention : Managing Directors, Chief Executive Officers and General Managers
Cc : Banks Treasurers
Subject : **Multi-leg USD/SAR forward structured product**

It has been drawn to our attention that recently some banks have been engaged in multi-leg USD/SAR forward structured product. In this regard, for the Banks that have engaged in this activity, SAMA would like them to explain the rationale and relevance of this product for the economy by answering the following questions and responding back to us by 22 May 2016:

- 1. How is this multi-leg forward structured product with conditionality different from non-linear structured product with optionality?***
- 2. What is the basis of entering into this product without recourse to SAMA? Do you consider this forward structure akin to "plain vanilla" forwards? If so, please explain.***
- 3. Provide SAMA with transaction details (notional amount, counterparty, mark to market value etc.) since January 18, 2016 to date along with outstanding position in this specific derivative, if any.***
- 4. What is the impact of this activity on your USD buy positions from SAMA?***
- 5. What are the potential risks to customers and the Bank arising from this product?***

In future, any structured derivative products should be submitted to SAMA for review and approval before their launch.

If your Bank has not engaged in this product, submit a Nil response.

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