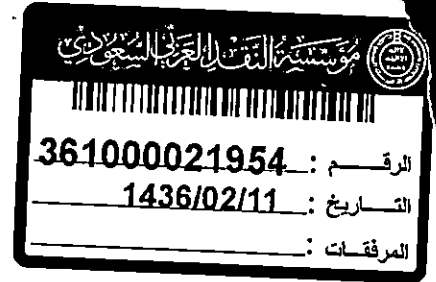


Saudi Arabian Monetary Agency

Banking Supervision Dept.



From : Saudi Arabian Monetary Agency
To : All Banks CFOs and CROs
Subject: Frequently Asked Questions concerning SAMA's various
Guidance Document regarding Basel III

1. Basel Committee on Banking Supervision (BCBS) Document regarding Liquidity Coverage Ratio Disclosure Standards

We refer to SAMA's circular # 351000133366 dated 25 August 2014 with regard to the Prudential Return Guidance document concerning the captioned BCBS document of 25 August 2014.

The Agency response to the issues banks have raised is described in the attached. (Annex 1)

2. SAMA detailed guidance document relating to Pillar 1, June 2006 – A Haircut to Collateral issued through circular # 290 dated 12 June 2006

We refer to page 156 of the captioned SAMA's guidance document with regard to haircut on collaterals where "KSA government bonds and bonds of public sector entities (PSE's) eligible for sovereign treatment in local currency had been set by SAMA at 0% haircut".

SAMA wishes to amend the above in order to bring supervisory haircut into line with BCBS requirement of para 151 as given in the Annex 2.

3. SAMA Circular # 361000005773 dated 4 November 2014 regarding National Discretions concerning SAMA's Implementation of Capital Reforms under Basel III Framework

We refer to the captioned circular where SAMA has provided its National Discretion concerning the implementation of Basel III. In this regard with reference to para 99 of BCBS document as given below should read as "Yes" and not as originally submitted as "No". (Refer to Annex # 3)

Para	Areas of national discretion	KSA
99	Apply para 104 instead of 98 non-IMM CVA charge	Yes



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4. SAMA's Final document concerning Basel III IRB Approaches for Credit Risk issued through circular # 351000121270 dated 17 July 2014

The Agency with regard to its captioned guidance document wishes to amend para 106 to read "that Netting is permitted in KSA for capital purposes" and not as previously documented as "Netting is not permitted in KSA". (Annex 4)

5. What is meant by PON "Press release 1 (a) Apply Statutory approach" in the last row of the Annexes (refer to Annex 5)

Response

The captioned "PON" is an abbreviation of "Point of Non-viability" in the context of the BCBS press release of 13 January 2011 entitled "Basel Committee issue final elements of the reforms to raise the quality of regulatory capital".

This Press Release covers minimum requirements to ensure loss absorbency at the point of non-viability as described in Annex 4 where 1a refer to applying the statutory approach.

If you need further clarifications, please contact Mr. Tariq Javed at t_javed@sama.gov.sa or Mr. Abbas Hassan at ahassan@sama.gov.sa.

Best regards,


Alwaleed Alsheikh
Director of Banking Supervision