

*Saudi Arabian Monetary Agency*

BANKING CONTROL

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OUTGOING FACSIMILE

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26 September, 1999  
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From : Ali Al-Ghaith, Director of Banking Inspection  
To : All Banks  
Attn. : General Managers and Managing Directors  
Subject: Enhancements and Update to SAMA's Accounting Standards for Commercial Banks.

As you are aware, the Agency issued its Accounting Standards for Commercial Banks in 1995 and is now in the process of updating and enhancing these Accounting Standards. This is being done to accommodate the advent of new banking products and services in the Kingdom as well as to respond to the current developments in Accounting and Disclosure Standards emanating from various Accounting Standard setting bodies such as the Saudi Organization of Certified Public Accountants (SOCPA), International Accounting Standards Committee (IASC), the Financial Accounting Standard Board (FASB) the American Institute of Certified Public Accountant's (AICPA), etc.

The scope of the proposed enhancement and updates, as described in the attachment, fundamentally includes the areas already covered by SAMA's current Accounting Standards as well as three additional areas as given below;

1. Off Balance sheet Financial Instruments including Derivatives
2. Related Party Transactions.
3. Case Flow Statements

**ATTACHMENT : I****ACCOUNTING STANDARDS ALREADY COVERED IN SAMA'S  
ACCOUNTING STANDARD FOR COMMERCIAL BANK  
WHERE ENHANCEMENTS OR UPDATES  
MAY BE REQUIRED**

1. Standard of Investment and Trading in Securities.
2. Standard of Loans.
3. Standard of Deposits.
4. Standard of Accounting Changes and Correction of Errors.
5. Standard of Foreign Currency Translation.
6. Standard of Fixed Assets and Other Real Estate.
7. Standard of Consolidated Financial Statements and Investments in Subsidiaries.
8. Standard of Presentation and General Disclosure.

**Additional Areas in Accounting Standards to be covered vis-à-vis  
Enhancements and Updates**

9. Off Balance Sheet Financial Instruments and Derivatives
10. Related Party Transaction.
11. Cash Flow Statement.

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In order to ensure that the proposed update to SAMA's Accounting Standard for Commercial Banks and enhancements is carried out comprehensively and professionally, the Agency would like to receive detailed comments from the banks with respect to the following items vis-à-vis the individual topics covered in the attachment.

1. The scope of the proposed update and enhancement, i.e. are there any other major areas which are not covered in the Attachment
2. Current and relevant accounting and disclosure developments with respect to the topics described in the attachment from various standard setting bodies such as SOCPA, IASC, AICPA, FASB, etc.
3. An analysis of the alternative Accounting, Valuation and Disclosure treatment available in the light of the current Accounting and Disclosure developments from SOCPA, IASC, AICPA, FASB, etc.
4. Recommended Accounting and Disclosure treatment for each of the major topics covered in Attachment for licensed Saudi banks.

## Conclusion

It would be appreciated on the basis of the guidance provided in items 1 to 4 above, if detailed and comprehensive comments, observations, critiques, and recommendation vis-à-vis the major areas described in the attachment on an individual basis are composed by the banks. Given the complexity and scope of work required, the banks have approx. three months to frame their response. Consequently, all submissions are due in SAMA by 31.12.99, and for further clarification please contact Mr. Abdula Ibrahim Suwayan Tel. 466-2281.

Best regards,



— Ali Al-Ghaith

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