

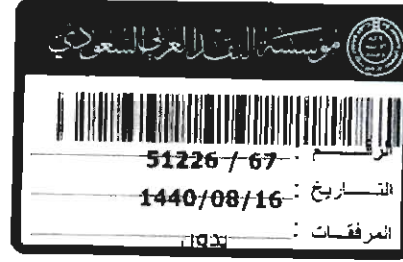
# Saudi Arabian Monetary Authority

HEAD OFFICE

Banking Policy Department

Date:

Circular



Attention: Managing Directors, Chief Executive Officers and General Managers  
Subject: **Margin requirements for non-centrally cleared derivatives**

This is with reference to Saudi Arabian Monetary Authority (SAMA) circular Ref No. 371000101114 and dated 15/09/1437H regarding Margin Requirements for Non-Centrally Cleared Derivatives. SAMA would like to update the scope of applicability of the aforementioned Circular.

Entities which would be covered under margin requirements ('Covered Entities').

The objective of SAMA introducing margin requirements is twofold: reduction of systemic risk and promotion of central clearing. In line with these objectives, those counterparties which do not pose significant systemic risk or may not be in a position to access central clearing facilities would be exempt from margin requirements. Implementation of this principle will mean that corporate counterparties, which are mostly end-users of OTC derivatives to hedge their underlying exposures, are not burdened with these margin requirements. However, as systemic risk posed by an institution and access to central clearing can change, the applicability of this principle will be reviewed periodically and margin requirements may be imposed for any category or all categories of the related entities, if SAMA considers it desirable to do so.

For the time being, SAMA will apply the margin requirements to "Covered Entities", i.e. all Financial Entities (banks, insurance companies, mutual funds, etc.) and Systemically Important Non-Financial Entities. Systemically Important Non-Financial Entities will, for this purpose be entities whose aggregate month-end average notional amount of non-centrally cleared derivatives for the preceding March, April and May exceeded SAR 30 billion, at a consolidated group wide basis.

For purposes of determining whether a group's non-centrally cleared derivatives notional amount exceeds SAR 30 billion, the following rules apply:

- Inter-affiliates trades should not be counted.

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- All other non-centrally cleared derivatives must be counted.

In terms of these requirements, a Foreign Bank Branch (FBB) operating in the Kingdom of Saudi Arabia should be deemed in compliance if:

- The FBB is required to comply with, and has complied with, the margin requirements of that foreign jurisdiction (Home Regulator) that have been implemented through published laws, rules or regulations; and
- The FBB has documentary evidence that the margin requirements of the foreign jurisdiction (Home Regulator) are comparable to SAMA's or BCBS-IOSCO's margin requirements for non-centrally cleared derivatives.

Should you have any questions or queries please contact Sara AlThenyan (salthenyan@sama.gov.sa) or Mohsen Almohsen (aalmohsen@sama.gov.sa).

Please be advised these requirements are effective immediately.



**Fahad I. Alshathri**

*Deputy Governor for Supervision*

**Distribution: All Banks operating in the Kingdom**

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