From	:	Saudi Arabian Monetary Agency
CC	:	H.E. Abdulaziz Al-Helaissi, Deputy Governor for Supervision
CC	:	Osamah Shaker, General Director of Banking Control
To	:	All Banks
Attention	:	Managing Directors, Chief Executive Officers and General Managers
Subject	:	**Basel Committee on Banking Supervision (BCBS) Consultative Document entitled "Guidelines: Corporate Governance Principles for Banks"**

The above BCBS consultative document underscores that banks' effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole. This is because banks serve a crucial role in the economy by intermediating funds from savers and depositors to activities that support enterprise which help drive economic growth. Consequently, banks' safety and soundness are key to financial stability, and the manner in which they conduct their business, therefore, is central to economic health. It follows that banking supervisors and regulators have a keen interest in banks' sound corporate governance as it is an essential element in their safe and sound functioning.

In specific, corporate governance determines the allocation of authority and responsibilities through which the business affairs of a bank are carried out by its board and senior management. The major elements of corporate governance include the following:

- Set a bank's strategy and objectives;
- Select and oversee personnel;
- Operate the bank's business on a day-to-day basis;
- Protect the interests of depositors, meet shareholder obligations, and take into account the interests of other recognized stakeholders;
- Align corporate culture, corporate activities and behavior with the expectation that the bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations; and
- Establish control functions.

The Basel Committee's October 2010 *Principles for enhancing corporate governance* represented a consistent development in the Committee's longstanding efforts to promote sound corporate governance practices for banking organizations. The 2010 principles sought to reflect key lessons from the 2008–09 financial crisis, and enhance how banks govern themselves and how supervisors oversee this critical area.

In order to assess the progress of national authorities and the banking industry in the area of risk governance since the global financial crisis, the Financial Stability Board (FSB) issued a *Thematic review on risk governance* in February 2013 as part of its series of peer reviews.

In the light of ongoing developments in corporate governance, and to take account of the FSB peer review recommendations and other recent papers addressing corporate governance issues, the Committee has decided to revisit the 2010 guidance.

Banks can access this BCBS document from BIS website: www.bis.org, and are expected to review it and provide their comments to SAMA by 10 December 2014 by e-mail.

Best regards,

Alwaleed Alsheikh
Director of Banking Supervision