

Saudi Arabian Monetary Agency

Banking Supervision Dept.

7 July 2012

From : Saudi Arabian Monetary Agency 44031 IBCSI 22229
To : All Banks
Attention : Managing Directors, Chief Executive Officers and General Managers
Subject : **BCBS releases consultation document on measures to address domestic systemically important banks (D-SIB)**

The Basel Committee on Banking Supervision has launched a public consultation on a document that sets out proposed measures to address the systemic and moral hazard risks posed by domestic systemically important banks (D-SIBs).

In November 2011, the Basel Committee issued final rules for global systemically important banks (G-SIBs). These rules, Global systemically important banks: assessment methodology and the additional loss absorbency requirement, were endorsed by the G20 Leaders at their November 2011 meeting. At that meeting, the G20 Leaders asked the Basel Committee and the Financial Stability Board to work on "the modalities to extend expeditiously the G-SIFI framework to domestic systemically important banks (D-SIBs)."

Against this backdrop, the Basel Committee has developed a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. The proposed framework takes a complementary perspective to the G-SIB framework by focusing on the impact that the distress or failure of banks will have on the domestic economy. However, the proposed D-SIB framework will take a principles-based approach, in contrast to the prescriptive approach of the G-SIB framework. This will allow an appropriate degree of national discretion in the assessment and application of policy tools in order to accommodate the structural characteristics of individual jurisdictions. The proposed D-SIB framework requires banks identified as D-SIBs by their national authorities to comply with the principles from January 2016. This is consistent with the phase-in arrangements for the G-SIB framework and means that national authorities will establish a D-SIB framework by 2016. The aforementioned document is available on the Basel Committee website address: <http://www.bis.org/press/p120629.htm>

You are encouraged to review the proposals as enumerated in this consultative document.

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