



From : Saudi Arabian Monetary Agency
CC : H.E. Abdulaziz Al-Helaissi, Deputy Governor for Supervision
To : All Banks
Attention : Managing Directors, Chief Executive Officers and General Managers
Subject : **Basel Committee on Banking Supervision Document regarding Capital Requirements for Banks' Equity Investment in Funds**

This document presents the Basel Committee's final policy framework for calculating the capital requirements for banks' equity investments in funds that are held in their banking book.

As part of the work by the Financial Stability Board to strengthen the oversight and regulation of shadow banking, the Committee agreed to review the risk-based capital requirements for banks' exposures to funds. This initiative was undertaken to clarify the existing treatment of such exposures in the Basel II capital adequacy framework, and also to achieve a more internationally consistent and risk-sensitive capital treatment for banks' investments in the equity of funds, reflecting both the risk of the fund's underlying investments and its leverage.

The framework agreed by the Committee consists of three approaches, with varying degrees of risk sensitivity: the "look-through approach" (LTA), the "mandate-based approach" (MBA), and the "fall-back approach" (FBA). Therefore, banks are required to study this document, and where necessary utilize it for establishing capital requirement effective 31 March 2014.

The Banks can access this BCBS document from BIS website: www.bis.org.

Best regards,


Alwaleed Alsheikh
Director of Banking Supervision