

# Saudi Arabian Monetary Agency

Banking Supervision Dept.



From : Saudi Arabian Monetary Agency

To : All Banks

Attention : Managing Directors, Chief Executive Officers and General Managers

Subject : **Basel Committee on Banking Supervision (BCBS) Consultative Document entitled "Fundamental Review of the Trading Book: Outstanding Issues"**

This is the Basel Committee's third consultative paper on outstanding issues related to the fundamental review of trading book capital requirements. As with the two previous consultative papers, the revisions to the capital framework set out in this paper aim to contribute to a more resilient banking sector by strengthening capital standards for market risk. The revisions in this paper continue to reflect the Committee's focus on achieving a regulatory framework that can be implemented consistently by supervisors across jurisdictions.

Since the publication of the second consultative paper in October 2013, the Committee has undertaken a trading book hypothetical portfolio exercise to assess the proposed internal models-based approach for market risk in the first half of 2014, and a Quantitative Impact Study (QIS) on the proposed market risk framework in the second half of 2014. Comments received on the second consultative paper have also been carefully reviewed by the Basel Committee.

This document sets out the Committee-agreed refinements made to the proposed market risk framework since October 2013. In particular, it includes new proposals in specific areas:

- i. The treatment of internal risk transfers of equity risk and interest rate risk between the banking book and the trading book.
- ii. A sensitivities-based methodology in the revised standardised approach.
- iii. A simpler method for incorporating the concept of liquidity horizons in the internal models approach.

The banks should access this BCBS document from BIS website: [www.bis.org](http://www.bis.org). They are expected to review it and provide comments to SAMA by 17 February 2015.

  
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