

Circular to all banks operating in Saudi Arabia

Director General of the Department of Banking Control

Subject: Implementation Rules for Banking Control Law

Based on the powers vested in the Minister of Finance and National Economy under the Banking Control Law issued by Royal Decree No. (M/5) dated 22/2/1386H, Ministerial Resolution No. (3/2149) dated 14/10/1406H was issued regarding the Implementation Rules for Banking Control Law. A copy is attached.

The Resolution includes rules for implementing the following provisions of the Banking Control Law: Article (12) regarding appointment to boards of directors and senior positions in banks; Article (16) regarding the practice of banking activity in line with the monetary and credit policy and economic developments in the Kingdom; Article (17) regarding the organization and specification of the periodic data that must be provided to SAMA for supervisory and statistical purposes; Article (18) regarding banking inspections conducted by SAMA, the behavior of the bank staff, and compliance with the recommendations and instructions issued by SAMA as a result of the inspection procedures; and Article (22) regarding the procedures and penalties SAMA is authorized to apply under this Resolution in implementation of this Article and in light of the Ministerial Resolution No. (3/959) dated 26/4/1404H issued in implementation of Article (25) of the Banking Control Law regarding the contraventions punishable under the Law. SAMA stresses that banks should strictly adhere to the aforementioned Rules as well as other instructions issued regarding the implementation of the provisions of the Banking Control Law in order to ensure the soundness of the banking system, achieve the public interest, and avoid the penalties prescribed under the Law and the Ministerial Resolution attached.

The Governor

Hamad Alsayari

Ministerial Resolution No. (3/2149) dated 14/10/1406H

The Minister of Finance and National Economy;

based on the powers vested in him;

in accordance with Article (26) of the Banking Control Law issued by Royal Decree No. (M/5) dated 22/2/1386H;

after having studied the Memorandum of the Governor of Saudi Arabian Monetary Authority No. (M G M A/ 411) dated 13/6/1406H regarding the proposal of Draft Implementation Rules for the Banking Control Law;

upon perusal of the Ministerial Resolution No. (3/920) dated 16/2/1402H regarding the rules regulating money changing business;

and upon perusal of the Ministerial Resolution No. (3/959) dated 26/4/1404H regarding the rules for the formation of a committee as stipulated in Article (25) of the Banking Control Law for the resolution of the contraventions punishable under the Law;

has decided the following:

A) The Implementation Rules for Banking Control Law are approved subject to the following:

I. In implementation of Article (16) of the Banking Control Law, banks shall:

1. Comply with the rules set by SAMA regarding loan limits that the bank may offer.
2. Comply with the rules set by SAMA regarding the types of loans to be granted and other transactions, such as, but not necessarily exclusive of:
 - a) Informing SAMA, prior to undertaking or commitment, of any loan application submitted by a non-resident entity.
 - b) Obtaining SAMA's written prior approval before initiating any procedure for extending any loan to a non-resident entity.
 - c) Obtaining SAMA's written prior approval before inviting foreign banks to participate in any joint facilities in Saudi riyals.
 - d) Obtaining SAMA's written prior approval before participating in any joint facilities arranged in Saudi riyals outside the Kingdom, whether for resident or non-resident entities.
 - e) Obtaining SAMA's written prior approval before participating in any joint facilities arranged in foreign currencies for non-residents.

- f) Obtaining SAMA's written prior approval before the acquisition of, or subscription for any securities in Saudi riyals abroad.
- g) Obtaining SAMA's written prior approval before the acquisition of, or subscription for any securities in foreign currencies abroad, with the exception of bank ownership of treasury bills and negotiable certificates of deposit.
- h) Obtaining SAMA's written prior approval before issuing or participating in the issuance of any securities inside or outside the Kingdom.
- i) Reporting to SAMA before introducing any new activities inside the Kingdom which may entail financial obligations on the bank.

3. Non-contravention of any of the guidelines and rules set forth by SAMA for banks for carrying on certain types of transactions for their customers such as, but not necessarily exclusive of:

- a) Complying with the bank tariff rates.
- b) Informing government authorities of foreign guarantees issued by banks other than those included in the approved list reported to banks, and of breaches of any of the terms that should be complied with in such guarantees, in keeping with Circular No. (11/M/12407) dated 5/8/1396H of the Ministry of Finance and National Economy and any circulars that might be issued thereafter.
- c) Refraining from conducting, or mediating in conducting any transaction which might involve circumvention of the provisions of "The Banking Control Law" inside or outside the Kingdom.
- d) Refraining from implementing any scheme for soliciting deposits, with the exception of current accounts and fixed-term deposits, before reporting to SAMA.
- e) Refraining from conducting any banking business with persons unauthorized according to the applicable laws and rules, including money changers not authorized by SAMA in accordance with the Minister of Finance and National Economy Decision No. (3/920) dated 16/2/1402H.

4. Comply with the rules of cash margins that must be held against certain types of letters of credit or guarantees issued by SAMA in accordance with the Law.

5. Comply with the instructions on the minimum limit of collateral between the amount of loan and assets offered to secure it which should be observed by banks as prescribed by SAMA.

6. Comply with the instructions issued by SAMA regarding the assets that must be held by banks inside the Kingdom and their ratio to deposit liabilities.

7. Adhere to the instructions issued by SAMA regarding bank working hours and holidays.

8. Adhere to the provisions of the Banking Control Law and its Implementation Rules and instructions, which prohibit banks from assisting or covering up for others who conduct banking or commercial activities they are not authorized to conduct, and those who violate the provisions of the Banking Control Law and its Implementation Rules. Therefore, bank employees shall not request or receive benefits to grant or recommend granting facilities from the bank.

II. In implementation of Article (12) of the Banking Control Law, banks shall:

1. Ensure that no person can be appointed as a member of the board of directors of more than one bank. Any person who is nominated as a member of the Board of Directors of any bank shall disclose his membership in the Board of any other bank.
2. None of the following actions or practices shall be performed without prior written approval of SAMA:
 - (1) Election of any person as a member of the Board of Directors of any bank if he had occupied a similar position in a banking concern which was liquidated, or if he had been previously removed from a similar position in any banking establishment, even if the liquidation had been made before coming into force of the “Banking Control Law” whether the banking concern was located inside or outside the Kingdom. Any person who is nominated as a member of the Board of Directors shall disclose such information.
 - (2) Appointment of any person as a manager of a bank if he had occupied a similar position in any banking concern that was liquidated, or if had been previously removed from a similar position in any banking concern even if the liquidation or removal had occurred before coming into force of the “Banking Control Law” whether this banking concern was located inside or outside the Kingdom. Every person who is nominated, or applying for this position shall disclose such information.
3. Submission of all particulars and information requested by SAMA about persons occupying or nominated to occupy leading positions in the bank.

III. In implementation of Article (17) of the Banking Control Law, every bank shall observe the following:

1. Provide SAMA with the following data as it deems fit and according to the instructions prescribed:
 - (1) Data submitted on a monthly basis:
 - (1.1) The bank’s balance sheet.
 - (1.2) Banks with branches and banking units abroad shall also submit:

- A consolidated statement of conditions of the bank, including its branches and units inside and outside the Kingdom.

- A separate statement of conditions of each branch or unit abroad.

(1.3) Statement of foreign liabilities and assets.

(1.4) Statement of the bank's purchases and sales of foreign exchange.

(1.5) Statement of imports financing statistics.

(2) Data submitted every three months:

(2.1) Profit and loss account statement.

(2.2) Banks having branches and banking units abroad shall also submit a profit and loss account statement for each branch or unit separately.

(2.3) Statement of deposits of government departments and agencies.

(2.4) Statement of the geographic breakdown of foreign assets.

(2.5) Quarterly balance sheet statements of the bank and its operating activities, that should be published in daily newspapers four times during the financial year, (as per the rules regulating share trading transactions, before their publication).

(3) Data submitted every six months:

(3.1) Statement of bank credit classification according to economic sectors.

(3.2) Statement of forward contracts.

(3.3) Statement of loans granted to non-residents and foreign investments.

(3.4) Statement of doubtful loans and advances.

(4) Data submitted every 12 months:

(4.1) The bank's annual budget and final accounts.

(4.2) The budget detailed report prepared by the bank auditors.

(4.3) Annual report of the bank's board of directors.

- Banks with branches and units abroad must also submit the annual budget statement and final accounts for each branch or unit abroad and the auditors' detailed report.

(5) Any data related to the bank's branches and units abroad in accordance with SAMA's relevant instructions.

(6) A copy of the minutes of each meeting of the general assembly of shareholders or meeting of partners within one month from the date of the meeting.

(7) Any other data or information requested in the form and at the time determined by SAMA.

2. Instruct the bank's external auditors to directly provide SAMA with the data, clarifications, and any information it requests about the bank's activity within their scope of responsibilities.

IV. In implementation of Article (18) of the Banking Control Law, banks shall fully cooperate with SAMA's inspection team when visiting the bank. To achieve this, the bank's staff shall not exercise any of the following acts or practices:

1. Refuse to give the inspection team access to the bank's records and accounts and other documents that the team deems important to perform the inspection duty.

2. Refuse to submit or deliberately hide the available information and clarifications requested by the inspection team.

3. Refuse to inform the inspection team of the bank's violations immediately after starting the inspection or deliberately hide such information.

4. Violate the recommendations and instructions issued by the SAMA as a result of the inspection conducted by the inspection team.

V. In implementation of Article (22) of the Banking Control Law, if SAMA obtains knowledge that a bank has violated the provisions of the Banking Control Law and its Implementation Rules, or has pursued a policy that might seriously affect its solvency or liquidity, SAMA may take one or more of the following measures:

1. Imposing the penalties stipulated in Article (23) of the Banking Control Law.

2. Suspending or dismissing the bank employee who deliberately provided false data, information or facts.

3. Informing the bank about its violations and requiring it to take corrective measures within a period determined by SAMA.

4. This can be done either in writing or by calling the bank's board chairperson, the managing director, or the general manager in charge.
5. In case of the bank's non-compliance with SAMA's instructions, SAMA may take some or all of the measures below.
6. Informing the chairperson of the bank's board of directors, through a representative from SAMA or by any other means, of the importance of convening a board meeting within a period determined by SAMA to review the bank's violations and take the necessary corrective measures.
7. The meeting shall be attended by one or more of SAMA representatives.
8. Requiring the bank to take any corrective measures deemed necessary by SAMA.
9. Assigning one or more advisors to assist the bank in managing its business.
10. Appointing an observer to the bank's board of directors for a period determined by SAMA. The observer shall have the right to participate in the discussions held during the board's meetings and write down their opinion on the decisions taken by the board during these meetings.
11. Taking any other measures SAMA deems necessary after obtaining the approval of the Minister of Finance and National Economy.

B) This Resolution shall be communicated to all competent authorities to be implemented and shall come into effect as of the date of its issuance.

The Minister of Finance and National Economy

Mohammed Aba AlKhail