



تعميم

المحترمون

السادة/

السلام عليكم ورحمة الله وبركاته،

الموضوع: تعليمات شبكة الفروع.

استناداً إلى نظام البنك المركزي السعودي الصادر بالمرسوم الملكي رقم (م/٣٦) وتاريخ ١٤٤٢/٠٤/١١هـ، ونظام مراقبة البنوك الصادر بالمرسوم الملكي رقم (م/٥) بتاريخ ١٣٨٦/٠٢/٢٢هـ، وانطلاقاً من دور البنك المركزي الإشرافي والرقابي وحرصه على تعزيز مبدأ الشمول المالي وزيادة وصول الخدمات المالية إلى المناطق ذات الأولوية والتنوع الجغرافي لشبكة فروع البنوك، ولضمان وضع البنوك إطار داخلي متكامل لتنظيم آلية فتح وإغلاق ونقل فروع ومراكز الخدمة الذاتية ومراكز الحوالات التابعة.

مُرافق تعليمات شبكة الفروع والتي تحل محل تعليمات الفروع الصادرة بموجب التعميم رقم (٣٥١٠٠٠١٢٦٧١٣) وتاريخ ١٤٣٥/١٠/١١هـ.

للإحاطة، والعمل بموجبها اعتباراً من تاريخه.

وتقبلوا تحياتي،

فهد بن إبراهيم الشثري

وكيل المحافظ للرقابة

نطاق التوزيع:

- البنوك والمصارف العاملة في المملكة.

Regulation on Branch Network

May 2022

البنك المركزي السعودي
SAMA
Saudi Central Bank



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Regulation on Branch Network

1. Preamble:

This Regulation is issued by the Saudi Central Bank (SAMA) in exercise of the powers vested upon it under its Law issued vide Royal Decree No. (M/36) on 11-04-1442H and the Banking Control Law issued by the Royal Decree No. M/5 on 22-02-1386H (11 June 1966G).

The Regulation lay down the regulatory processes for banks in planning for the opening, closure and relocation of their Branch Network.

The Regulation will become effective from the date of its issuance and supersede the existing SAMA Circular No. 351000126713 issued on 11-10-1435 H (7 August 2014 G).

2. Definitions:

2.1 SAMA: The Saudi Central Bank established under the Law issued vide Royal Decree No. (M/36) on 11-04-1442H;

2.2 Regulation: The Regulation on Branch Network;

2.3 Bank: means any bank licensed to carry out banking business in the Kingdom of Saudi Arabia in accordance with the provisions of the Banking Control Law;

2.4 Branch Network: includes branches, service centers, and remittance centers;

2.5 Branches: means full-fledged branches providing full range of banking services as well as more efficient branch models (mini / light branches) offering basic banking services including, inter-alia, the opening of accounts, cash deposits, cash withdrawals, fund transfers, issuance and encashment of pay orders/demand drafts, etc.

2.6 Service Centers: means outlets established for providing customer facilitation, marketing and sales services, and similar other activities.

2.7 Remittance Centers: means financial service providers engaged in domestic/international remittance activities (sending and receiving money) in accordance with the SAMA Rules Governing Banks' Remittance Centers.

2.8 ATM: means automated teller machine. ATM includes Automated Teller Machines (ATMs), Cash Deposit Machines (CDMs), Interactive Teller Machines (ITMs), Kiosk and Self-Service Machines offering cash deposits and withdrawals;

2.9 Zones: Branch Network will be categorized into following zones for the purpose of this Regulation (based on the latest publicly available population data of the General Authority for Statistics):

- a) **Zone 1 (Large cities):** to include all cities with population of 1.0 million and above;
- b) **Zone 2 (Medium Cities):** to include all cities with population of 0.5 to 1.0 million;
- c) **Zone 3 (Small Cities):** to include all cities with population of 0.1 to 0.5 million;
- d) **Zone 4 (Rural Areas):** to include villages and small towns with population of less than 0.1 million.

2.10 Priority Areas: includes Zone 3 (Small Cities) and Zone 4 (Rural Areas)

2.11 Digital Modes: means channels used to execute transactions through electronic mediums or using technology enabled/virtual/online modes. These modes includes, inter-alia, the use of debit/credit/prepaid cards, internet banking, mobile banking, mobile wallets, digital payment apps, etc. ;

2.12 Customer: means any natural or legal person obtaining banking services or products or to whom such services or products are offered by a bank;

2.13 Inactive License: means a license previously issued by SAMA for the opening of a branch but the concerned branch is currently inoperative due to either delay in commencement of operations or suspension of its operations for whatever reasons.

3. Objectives of the Regulation:

The Regulation is aimed at achieving the following key regulatory objectives:

- a) Promoting financial inclusion and increasing outreach of financial services to the priority areas;
- b) Setting a regulatory and supervisory framework for the branch network;
- c) Encouraging geographic diversification of the branch network;
- d) Ensuring consumer protection; and
- e) Facilitating banks in streamlining their branch networks.

4. Scope of Application:

The Regulation will be applicable to all locally incorporated banks as well as the branches of foreign banks licensed and operating in the Kingdom. The branches of foreign banks shall comply with this Regulation only if they plan to expand beyond three branches and to the extent, the Regulation becomes relevant to them.

5. Branch Network Policy:

5.1 Banks are required to prepare a Branch Network Policy for opening, closing and relocating of branches, service centers, and remittance centers. Branch Network Policy of the Bank will cover, inter-alia, the following points:

- a) Bank's overall strategy to serve customers (including the elderly and disabled customers) and deploy service channels (including the digital platforms);
- b) Defining market niche / target market of the Bank;

- c) Bank's approach towards promoting financial inclusion and increasing outreach of financial services;
- d) Key channels to be deployed for the delivery of financial services;
- e) Broad parameters/criteria for opening, closing and relocating of branches, service centers, and remittance centers;
- f) Plans for promoting the use of digital modes;
- g) Plans for offering any other financial services through branches (e.g. bancassurance) or engaging agent banks to undertake permissible banking activities;
- h) Plans for serving customers in priority areas as a part of corporate social responsibility (CSR).

5.2 The Branch Network Policy will not cover ATMs, which will continue to be dealt with separately under the existing SAMA rules/instructions.

5.3 Banks will submit the draft Branch Network Policy to their Board of Directors (or the delegated committee of the Board) for review and approval. However, the Branch Network Policy of the branches of foreign banks can be approved by the Chief Executive or a duly authorized senior executive at Head Office instead of the Board of Directors.

5.4 Banks to submit the Branch Network Policy to SAMA after its approval by their Board of Directors (or the delegated Board committee) within four months from the issuance of this Regulation along with the following information:

- a) Details and annual volume of financial services offered through digital modes during each of the last three years;
- b) Number of branches, service centers, and remittance centers opened, closed or relocated (Zone-wise) during each of the last three years;

- c) Number of new ATMs (including portable/temporary ATMs) deployed during each of the last three years;
- d) Results of any customer survey conducted and/or Mystery Shopping done to assess the customer satisfaction and quality of banking services;
- e) Any other measures taken to increase the outreach of financial services and offering basic banking services to public.

5.5 SAMA will review the Branch Network Policy to grant it's no objection. While evaluating the Branch Network Policy of a Bank, SAMA will review, inter alia, the following:

- a) Bank's plan for offering financial services through digital modes and timeline for their roll out;
- b) Results of any customer feedback survey conducted and/or Mystery Shopping done to assess the customer satisfaction and quality of banking services; and
- c) Any other measures taken to increase the outreach of financial services and offering basic banking services in priority areas.

5.6 Banks will review (and update, if required) the approved Branch Network Policy every three years (or more frequently, if so required) to ensure its consistency with the relevant regulatory processes and prevailing market dynamics. The revised Policy after review and approval by the Board of Directors or the delegated committee of the Board (in the case of branches of foreign banks, by the Chief Executive or a duly authorized senior executive at Head Office) will be submitted to SAMA within 30 calendar days of its approval.

6. Licensing of Branches:

6.1 Banks are required to obtain approval for license from SAMA for a new branch, service center or remittance center (both within the Kingdom and overseas). SAMA's prior

approval for opening of a branch abroad will be required before approaching the concerned host supervisor/regulatory authority for any such approval.

- 6.2 Banks will submit the proposal for obtaining license of a new branch, service or remittance center to SAMA as per their approved Branch Network Policy. The proposal should contain all relevant information on the proposed branch/center including name of the city, tentative location, zone of location, brief justification for choice of the city/location, and feasibility study (including projected business/financial impact).
 - 6.3 Banks are required to use inactive licenses for branches/service centers/remittance centers before approaching SAMA for the new licenses.
 - 6.4 SAMA's prior approval for a new branch, service or remittance center will not be required if such branch/center is being opened within the same zone by using the inactive licenses for branches/service centers/remittance centers. Furthermore, SAMA's prior approval will also not be required if a new branch, service or remittance center is being opened in any of the smaller zones by using the inactive license of a branch/service center/remittance center of a larger zone. However, in such cases, banks will approach SAMA at-least two months in advance for amendment of the inactive license for opening the proposed branch or center at the new location.
 - 6.5 Banks will not be required to submit Annual Branch Expansion Plan (ABEP) to SAMA once their Branch Network Policy is approved.
 - 6.6 Banks are expected to play their role in increasing outreach of financial services to the priority areas as a part of their corporate social responsibility.
7. Opening of Branches:
- 7.1 After receiving approval for a new branch license from SAMA, banks shall finalize the branch location, seek necessary approvals from the concerned government authorities, construct the branch and make all other arrangements to open the branch.

7.2 Once a branch is ready to commence operations, banks shall obtain a formal license from SAMA for opening of the approved branch. The request for obtaining such a license will contain all relevant information about the readiness of the bank to open the branch and will be submitted only after all necessary arrangements (as detailed in Point 7.3 below) for opening of the branch are in place.

7.3 All applications for obtaining a license for opening new branches shall be submitted along with relevant information including, inter alia:

- a) The exact location of the branch;
- b) The safety and security arrangements for the branch and the customers (including arrangements for the elderly and disabled customers);
- c) The status of IT infrastructure/connectivity;
- d) The proposed staffing arrangements;
- e) The status of approvals from relevant government authorities;
- f) Certificate of compliance with the municipality regulations, etc.;
- g) A certificate from the internal audit department of the bank confirming that the new branch complies with all relevant requirements of the government authorities and SAMA.

7.4 Once SAMA issues a formal license for opening a branch, the bank will take all necessary measures to make the branch operational within six months of the date of issuance of the license and ensure compliance of all conditions of the branch license.

7.5 Banks shall inform SAMA in writing within 14 calendar days of commencement of operations by a new branch.

8. Closure of Branches:

8.1 Banks will seek prior approval of SAMA for the closure or relocation of a branch or service center. Furthermore, in case of any forced closure/relocation of a branch, service

or remittance center due to circumstances beyond their control, banks will notify all such cases to SAMA along with the reasons thereof.

8.2 Banks will have the flexibility to plan for closure or relocation of branches and service centers or convert a branch to a service center in Zone 1 and 2. However, any such request for closure or relocation will be allowed by SAMA subject to the condition that the bank has taken necessary measures to promote the use of digital modes.

8.3 Closure of branches or service centers in Zones 3 and 4 (priority areas) will not be allowed but their relocation within the same city/governorate will be permissible.

8.4 Banks will be allowed to merge two nearby branches in case of merger of two banks or in other justifiable cases subject to the condition that there remains a branch of the same bank within the distance of 10 kilometers.

8.5 Banks will not terminate the services of any employee merely due to the closure or relocation of a branch or service center.

8.6 Banks will be free to close and/or relocate remittance centers as per their approved Branch Network Policy. However, they will be required to notify SAMA at-least 30 calendar days before any such closure or relocation of a remittance center.

9. Communication to Customers:

9.1 Banks will be required to inform customers through SMS and Email at-least two months before closure or relocation of any branch, service center or remittance center.

9.2 Banks will place a notification on the bank's website as well as on the branch site/entrance with contact numbers for seeking further information;

9.3 The communication from bank shall guide the customers about alternate options for them for availing the banking services. This will, inter alia, include information about the nearest branch of the bank, service center or other available channels.

10. Submission of Returns:

Banks will submit the following returns to SAMA on quarterly basis within 30 calendar days of the end of each calendar quarter:

- 10.1 Data on opening, closing and relocation of branches, service and remittance centers (as per format attached as Annexure-I).
- 10.2 Data on delivery channels used to serve the customers (as per format attached as Annexure-II).
- 10.3 Data on customers served in-person/physically in branches/centers, ATMs and Agent banks (as per format attached as Annexure-III).

Name of the Bank:

**Data on opening, closing and relocation of branches,
service and remittance centers for the quarter ended**

Data of Branches						
Sr. No.	Zones	Branches Opened during Quarter	Branches closed during Quarter	Branches relocated during Quarter	Total active Branches at Quarter end	Total inactive Branch licenses
1	Zone 1					
2	Zone 2					
3	Zone 3					
4	Zone 4					
5	Outside KSA					
6	Total					

Data of Service Centers						
Sr. No.	Zones	Centers Opened during Quarter	Centers closed during Quarter	Centers relocated during Quarter	Total active Service Centers at Quarter end	Total inactive Service Center licenses
1	Zone 1					
2	Zone 2					
3	Zone 3					
4	Zone 4					
5	Outside KSA					
6	Total					

Data of Remittance Centers						
Sr. No.	Zones	Centers Opened during Quarter	Centers closed during Quarter	Centers relocated during Quarter	Total active Remittance Centers at Quarter end	Total inactive Remittance Center licenses
1	Zone 1					
2	Zone 2					
3	Zone 3					
4	Zone 4					
5	Outside KSA					
6	Total					

Name of the Bank:

Data on delivery channels used to serve customers, for quarter ended-----

Sr. No.	Zones	Total No. of active customers of the Bank at beginning of the Quarter	Total No. of customers served during the Quarter	No. of Customers served in person/ physically in branch/ service center during Quarter	No. of Customers served through digital modes during the quarter	No. of Customers served through self-service machines during the quarter	Number of Customers served through any other mode during the quarter
1	Zone 1						
2	Zone 2						
3	Zone 3						
4	Zone 4						
5	Outside KSA						
6	Total						

Note: In the last column, provide the number of customers served through any mode other than in-person/physically served, digital modes or through self-service machines).

Name of the Bank: -----

Data on customers served in-person/physically in branches/centers/ ATMs/Agents for the quarter ended-----

Sr. No.	Buckets of Customers (Average No. of customers served per day, during the quarter)	No. of Branches	No. of Service Centers	No. of Remittance centers	No. of self- service machines	No. of ATMs	No. of branches of agent banks	Total
1	0-10							
2	11-20							
3	21-30							
4	31-50							
5	51-70							
6	71-100							
7	101-200							
8	201-300							
9	301-400							
10	401-500							
11	Above 500							
12	Total							