

**National Discretion Items concerning**  
**Amended LCR**

### Issue # 1

**Please refer to the instructions from your supervisor for the specification of this item.**

8	part of central bank reserves that can be drawn in times of stress	Total amount held in central bank reserves and overnight and term deposits at the same central bank (as reported in line 7) which can be drawn down in times of stress. Amounts required to be installed in the central bank reserves within 30 days should be reported in line 165 of the outflows section.	50(b), footnote 13
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### SAMA Recommendation

- Saudi bank can include as level 1 assets, all amounts held in central bank reserves and overnight and term deposits as these can be utilized in term of stress within a period of 30 days.

### Issue # 2

<b>A)c) Level 2B assets</b> <b>Please refer to the instructions from your supervisor for the specification of items in the Level 2B assets subsection.</b> In choosing to include any Level 2B assets in Level 2, national supervisors are expected to ensure that (i) such assets fully comply with the qualifying criteria set out Basel III LCR standards, paragraph 54; and (ii) banks have appropriate systems and measures to monitor and control the potential risks (eg credit and market risks) that banks could be exposed to in holding these assets.			
37	Residential mortgage backed securities (RMBS), rated AA or better	RMBS that satisfy all of the conditions listed in paragraph 54(a) of the Basel III LCR standards.	54(a)
38	Non-financial corporate bonds, rated BBB- to A+	Non-financial corporate debt securities (including commercial paper) rated BBB- to A+ that satisfy all of the conditions listed in paragraph 54(b) of the Basel III LCR standards.	54(b)
39	Non-financial common equity shares	Non-financial common equity shares that satisfy all of the conditions listed in paragraph 54(c) of the Basel III LCR standards.	54(c)
<b>Total Level 2B assets:</b>			
40	Total stock of Level 2B RMBS assets	Total outright holdings of Level 2B RMBS assets plus all borrowed securities of Level 2B RMBS assets, after applying haircuts	54(a)
41	Adjustment to stock of Level 2B RMBS assets	Adjustment to the stock of Level 2B RMBS assets for purpose of calculating the caps on Level 2 and Level 2B assets.	Annex 1

42	Adjusted amount of Level 2B RMBS assets	Adjusted amount of Level 2B RMBS assets used for the purpose of calculating the adjustment to the stock of HQLA due to the cap on Level 2 assets in line item 49 and the cap on Level 2B assets in line item 48.	Annex 1
43	Total stock of Level 2B non- RMBS assets	Total outright holdings of Level 2B non-RMBS assets plus all borrowed securities of Level 2B non-RMBS assets, after applying haircuts	54(b),(c)
44	Adjustment to stock of Level 2B non-RMBS assets	Adjustment to the stock of Level 2B non-RMBS assets for purpose of calculating the caps on Level 2 and Level 2B assets.	Annex 1
45	Adjusted amount of Level 2B non-RMBS assets	Adjusted amount of Level 2B non-RMBS assets used for the purpose of calculating the adjustment to the stock of HQLA due to the cap on Level 2 assets in line item 49 and the cap on Level 2B assets in line item 48.	Annex 1
46	Adjusted amount of Level 2B (RMBS and non-RMBS) assets	Sum of adjusted amount of Level 2B RMBS assets and adjusted amount of Level 2B non-RMBS assets	Annex 1
48	Adjustment to stock of HQLA due to cap on Level 2B assets	Adjustment to stock of HQLA due to 15% cap on Level 2B assets.	47, Annex 1
49	49 Adjustment to stock of HQLA due to cap on Level 2 assets	Adjustment to stock of HQLA due to 40% cap on Level 2 assets.	51, Annex 1

### **SAMA Recommendation**

At this point in time, SAMA has decided not to allow any level 2B assets to be included as level 2 assets. However, SAMA will initiate some research with Saudi banks to make a quantitative assessment to determine the impact of including or not including these in the LCR. Also, a Working Group meeting on liquidity will be scheduled before the end of July 2013 where this item will be further discussed.

### **Issue # 3**

#### **A)e) Treatment for jurisdictions with insufficient HQLA**

**Please refer to the instructions from your supervisor for the specification of this subsection.**

Some jurisdictions may not have sufficient supply of Level 1 assets (or both Level 1 and Level 2 assets) in their domestic currency to meet the aggregate demand of banks with significant exposures in this currency (note that an insufficiency in Level 2 assets alone does not qualify for the alternative treatment). To address this situation, the Committee has developed alternative treatments for the holdings in the stock of HQLA, which are expected to apply to a limited number of currencies and jurisdictions.

Eligibility for such alternative treatment will be judged on the basis of qualifying criteria set out in Annex 2 of the Basel III LCR standards and will be determined through an independent peer review process overseen by the Committee. The purpose of this process is to ensure that the alternative treatments are only used when there is a true shortfall in HQLA in the domestic currency relative to the needs in that currency.

**SAMA Recommendation**

- Currently, SAMA is not going to adopt Alternative Approaches because of the sufficiency of HQLA.

**Issue # 4**

There are three potential options for this treatment (line items 67 to 71). **If your supervisor intends to adopt this treatment, it is expected that they provide specific instructions to the banks under its supervision for reporting the relevant information under the option it intends to use.** To avoid double-counting, if an asset has already been included in the eligible stock of HQLA, it should not be reported under these options.

Option 1 – Contractual committed liquidity facilities from the relevant central bank, with a fee  
 These facilities should not be confused with regular central bank standing arrangements. In particular, these facilities are contractual arrangements between the central bank and the commercial bank with a maturity date which, at a minimum, falls outside the 30-day LCR window. Further, the contract must be irrevocable prior to maturity and involve no ex-post credit decision by the central bank.

Such facilities are only permissible if there is also a fee for the facility which is charged regardless of the amount, if any, drawn down against that facility and the fee is set so that banks which claim the facility line to meet the LCR, and banks which do not, have similar financial incentives to reduce their exposure to liquidity risk. That is, the fee should be set so that the net yield on the assets used to secure the facility should not be higher than the net yield on a representative portfolio of Level 1 and Level 2 assets, after adjusting for any material differences in credit risk.

**SAMA Recommendation**

- Refer to response of issue # 3.

**Issue # 5**

67	Option 1 – Contractual committed liquidity facilities from the relevant central bank	Only include the portion of facility that is secured by available collateral accepted by the central bank, after haircut specified by the central bank. <b>Please refer to the instructions from your supervisor for the specification of this item.</b>	58
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**SAMA Recommendation**

- Refer to response of issue # 3.

### **Issue # 6**

Option 2 – Foreign currency HQLA to cover domestic currency liquidity needs For currencies that do not have sufficient HQLA, supervisors may permit banks that evidence a shortfall of HQLA in the domestic currency (which would match the currency of the underlying risks) to hold HQLA in a currency that does not match the currency of the associated liquidity risk, provided that the resulting currency mismatch positions are justifiable and controlled within limits agreed by their supervisors.

To account for foreign exchange risk associated with foreign currency HQLA used to cover liquidity needs in the domestic currency, such liquid assets should be subject to a minimum haircut of 8% for major currencies that are active in global foreign exchange markets. For other currencies, supervisors should increase the haircut to an appropriate level on the basis of historical (monthly) exchange rate volatilities between the currency pair over an extended period of time.

If the domestic currency is formally pegged to another currency under an effective mechanism, the haircut for the pegged currency can be lowered to a level that reflects the limited exchange rate risk under the peg arrangement.

Haircuts for foreign currency HQLA used under Option 2 would apply only to HQLA in excess of a threshold specified by supervisors which is not greater than 25% that are used to cover liquidity needs in the domestic currency.

69	Level 1 assets	Subject to the limit mentioned above, the aggregate amount of the excess of Level 1 assets in a given foreign currency or currencies that can be used to cover the associated liquidity need of the domestic currency. <b>Please refer to the instructions from your supervisor for the specification of this item.</b>	59
70	Level 2 assets	Subject to the limit mentioned above, the aggregate amount of the excess of Level 2 assets in a given foreign currency or currencies that can be used to cover the associated liquidity need of the domestic currency. <b>Please refer to the instructions from your supervisor for the specification of this item.</b>	59

### **SAMA Recommendation**

- Refer to response of issue # 3.

### **Issue # 7**

71	Option 3 – Additional use of Level 2 assets with a higher haircut for Level 1 asset	Assets reported in lines 25 to 31 that are <b>not</b> counted towards the regular stock of HQLA because of the cap on Level 2 assets. <b>Please refer to the instructions from your supervisor for the specification of this item.</b>	62
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### SAMA Recommendation

- Refer to response of issue # 3.

### Issue # 8

86	eligible for a 3% run-off rate; of which:	The amount of insured transactional retail deposits that are in jurisdictions where the supervisor chooses to apply a 3% runoff rate given the deposits are fully insured by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	78
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### SAMA Recommendation

There is no effective deposit insurance schemes in KSA.

### Issue # 9

89	eligible for a 5% run-off rate; of which:	The amount of insured transactional retail deposits that are in jurisdictions where the supervisor does <b>not</b> choose to apply a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	75
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### SAMA Recommendation

- The referenced conditions are not applicable to Saudi banks.

### Issue # 10

96	eligible for a 5% run-off rate; of which:	The amount of insured non-transactional established relationship retail deposits that are in jurisdictions where the supervisor does not choose to apply a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	75
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### SAMA Recommendation

- Refer to response of issue # 9

### Issue # 11

115	eligible for a 3% run-off rate; of which:	The amount of insured transactional small business customer deposits that are in jurisdictions where the supervisor chooses to apply a 3% run-off rate given the deposits are fully insured by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	89, 78
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### SAMA Recommendation

- Refer to response of issue # 9.

### Issue # 12

122	eligible for a 3% run-off rate; of which:	The amount of insured non-transactional established relationship small business customer deposits that are in jurisdictions where the supervisor chooses to apply a 3% runoff rate given the deposits are fully insured by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	89, 78
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### SAMA Recommendation

- Refer to response of issue # 9.

### Issue # 13

125	eligible for a 5% run-off rate; of which:	The amount of insured non-transactional established relationship small business customer deposits that are in jurisdictions where the supervisor does not choose to apply a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	89, 75
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### SAMA Recommendation

- Refer to response of issue # 9.

#### Issue # 14

139	insured, with a 3% run-off rate	The portion of such funds provided by non-financial corporates that <b>are</b> fully covered by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards and are in jurisdictions where the supervisor chooses to prescribe a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	104
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#### SAMA Recommendation

- Refer to response of issue # 9.

#### Issue # 15

140	insured, with a 5% run-off rate	The portion of such funds provided by non-financial corporates that <b>are</b> fully covered by an effective deposit insurance scheme but that are not prescribed a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	104
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#### SAMA Recommendation

- Refer to response of issue # 9.

#### Issue # 16

143	insured, with a 3% run-off rate	The portion of such funds provided <u>by sovereigns, central banks, PSEs and multilateral development banks that <b>are</b> fully covered by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards</u> and are in jurisdictions where the supervisor chooses to prescribe a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	104
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#### SAMA Recommendation

- Refer to response of issue # 9.



### Issue # 17

144	insured, with a 5% run-off rate	The portion of such funds provided by sovereigns, central banks, PSEs and multilateral development banks that <b>are</b> fully covered by an effective deposit insurance scheme but that are not prescribed a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	104
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### SAMA Recommendation

- Refer to response of issue # 9.

### Issue # 18

147	insured, with a 3% run-off rate	The portion of such funds provided by banks that <b>are</b> fully covered by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards and are in jurisdictions where the supervisor chooses to prescribe a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	104
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### SAMA Recommendation

- Refer to response of issue # 9.

### Issue # 19

148	insured, with a 5% run-off rate	The portion of such funds provided by banks that <b>are</b> fully covered by an effective deposit insurance scheme but that are not prescribed a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	104
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### SAMA Recommendation

- Refer to response of issue # 9.

### Issue # 20

151	insured, with a 3% run-off rate	The portion of such funds provided by financial institutions (other than banks) and other legal entities that <b>are</b> fully covered by an effective deposit insurance scheme that meets the conditions outlined	104
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		in paragraph 78 of the Basel III LCR standards and are in jurisdictions where the supervisor chooses to prescribe a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	
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**SAMA Recommendation**

- Refer to response of issue # 9.

**Issue # 21**

152	insured, with a 5% run-off rate	The portion of such funds provided by financial institutions (other than banks) and other legal entities that <b>are</b> fully covered by an effective deposit insurance scheme but that are not prescribed a 3% run-off rate. <b>Please refer to the instructions from your supervisor for the specification of these items.</b>	104
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**SAMA Recommendation**

- Refer to response of issue # 9.

**Issue # 22**

165	Additional balances required to be installed in central bank reserves	Amounts to be installed in the central bank reserves within 30 days. Funds reported in this line should not be included in line 159 or 160. <b>Please refer to the instructions from your supervisor for the specification of this item.</b>	Extension of 50(b)
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**SAMA Recommendation**

- Agreed. Funds include in line 159 or 160 should not be included in line 165.

**Issue # 23**

253	Non-contractual obligations related to potential liquidity draws from joint ventures or minority investments in entities	Non contractual contingent funding obligations related to potential liquidity draws from joint ventures or minority investments in entities, which are not consolidated per paragraph 164 of the Basel III LCR standards, where there is the expectation that the bank will be the main liquidity provider when the entity is in need of liquidity. The amount included should be calculated in accordance with the methodology agreed by the bank's supervisor. <b>Please refer to the</b>	137
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		<b>instructions from your supervisor for the specification of this item.</b>	
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**SAMA Recommendation**

- Such cases should be referred to SAMA and each case will be dealt with individually.

**Issue # 24**

317	Other contractual cash inflows	Any other contractual cash inflows to be received ≤ 30 days that are not already included in any other item of the LCR framework. Inflow percentages should be determined as appropriate for each type of inflow by supervisors in each jurisdiction. <u>Cash inflows</u> related to non-financial revenues are <b>not</b> to be included, since they are not taken into account in the calculation of LCR. <u>Any non-contractual contingent inflows should not be reported, as they are not included in the LCR.</u> <b>Please provide your supervisor with an explanatory note on any amounts included in this line.</b>	160
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**SAMA Recommendation**

- For the time being, SAMA is not adding any item to LCR.

**Issue # 26**

6.1.4 Collateral swaps (panel C)	Any transaction maturing within 30 days in which non-cash assets are swapped for other noncash assets, should be reported in this panel. “Level 1 assets” in this section refers to Level 1 assets other than cash. <b>Please refer to the instructions from your supervisor for the specification of items related to Level 2B assets in this subsection.</b>	48, 113, 146, annex
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**SAMA Recommendation**

- Banks should comply with the BCBS guidance provided on page 52 to 61 and paras 48, 13, 146, annex of the BCBS document of January 2013.
- Level 2B assets are related the alternative treatment which SAMA at the present has not adopted – refer to SAMA’s response to issue # 3.