



7 August 2014

From : Saudi Arabian Monetary Agency
To : All Banks licensed and incorporated in the Kingdom
Attention : Managing Directors, Chief Executive Officers and
General Managers
Subject : Annual Branch Expansion Plan(ABEP)

1) This policy is aimed at institutionalizing branch expansion plans submitted to SAMA, promoting financial inclusion, supporting financial literacy, facilitating customer outreach and encouraging geographic diversification of branch network. It will also enable Saudi Arabian Monetary Agency(SAMA) to streamline its branch approval and licensing process to ensure timely issuance of such licenses.

2) This has a reference to Article 11 (e) of the Banking Control Law which requires banks to obtain written approval of SAMA before opening branches or other offices in the Kingdom as well as opening of branches or other offices outside the Kingdom. In order to facilitate the banks in obtaining such approval, SAMA will now request all banks licensed and incorporated in the Kingdom (hereinafter called banks) to submit an ABEP. Accordingly, banks are encouraged to include all of their branch expansion proposals in the ABEP as any requests for opening branches outside the ABEP will be considered only if there is a strong case for it e.g. in the case of newly established banks or the restructuring of a bank due to merger or acquisition.

3) **Submission of the ABEP:** All Banks are required to comply with the following requirements while preparing and submitting their ABEP to SAMA:

Saudi Arabian Monetary Agency

Banking Supervision Dept.

- i. All banks planning to open new branches or self-service centers during a calendar year shall submit an ABEP to SAMA duly approved by their Board of Directors, latest by 30th November of each preceding calendar year. Accordingly, the ABEP for the calendar year 2015 shall be submitted latest by 30th November 2014. SAMA encourages banks to prepare longer term plans (say 3-5 years) with an annual implementation plan in the form of ABEP;
- ii. All new requests for opening of branches after the issuance of this circular should be included in the ABEP. However, any branches for which licenses have already been issued by SAMA before issuance of this circular need not be included in the ABEP to be submitted by 30th November 2014. Such branches can be opened as per the existing policy;
- iii. The ABEP should also contain information on any proposed branches to be opened abroad (including any additional branches to be opened in a country where the bank currently operates). SAMA's prior approval for opening of branches abroad will be required before approaching the concerned host supervisor/regulatory authority for any such approval;
- iv. The ABEP should contain all relevant information to enable SAMA to consider the request of the bank. It should include, inter alia, the information on number of branches or self-service centers proposed to be opened during a calendar year, proposed cities where new branches/self-service centers will be opened and a brief justification and projected business/financial impact of each of the proposed branch/self-service center. A template for preparation of the ABEP is attached as Annexure-I;
- v. At least 20% of the additional/planned branches proposed to be opened during a calendar year shall be opened in priority areas (Zones 3 and 4) as defined under Para 3(vi) below, with the following conditions:
 - a. Out of the minimum 20% branches in priority areas, at least 12% will be in Zone 3 (Small Cities) and 8% in Zone 4 (Rural Areas);
 - b. If the ABEP includes opening of up to four branches in total, then at least one branch will be opened in either Zone 3 or Zone 4;
 - c. Banks may choose to front load the opening of new branches in Zones 3 and 4, and get the "credit" carried over for the next three years to meet the above minimum requirements for opening of branches in priority areas;

- d. Closure or relocating of an existing branch in Zone 3 or 4 and opening a new branch in place of the closed/relocated branch will not be counted towards meeting the above minimum requirements;
 - e. Banks may choose to opt for more efficient branch models in Zones 3 and 4 provided that these branches offer all basic banking services to their customers including, inter alia, the opening of accounts, cash deposits, cash payments, fund transfers, issuance and encashment of pay orders/demand drafts, etc.
- vi. For the purpose of meeting the above requirements, Zones are defined hereunder (which will be based on the latest publicly available population data of the Central Directorate of Statistics and Information of the Kingdom):
- a. **Zone 1 (Large Cities):** to include all cities with population of 1.0 million and above (including Riyadh, Jeddah, Makkah, Madinah, Damam, Ahsa and Taif);
 - b. **Zone 2 (Medium Cities):** to include all cities with population of 0.5 to 1.0 million (including Qatif, Alkhobar, Buraida, Khamees, Mushait, Tubuk, and Hail);
 - 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;
- vii. The ABEP shall not cover Automated Teller Machines (ATMs) which will continue to be dealt with separately and banks can submit their requests to SAMA for approval of ATMs as and when required;
- viii. The ABEP should also include details of any existing branches planned to be closed or relocated from one place to another during next calendar year. Any such closure or relocation of a branch shall be done only with the prior written approval of SAMA, for which the bank is required to submit a separate request. Furthermore, any cases of forced closure/relocation of a branch due to circumstances beyond control of the bank should be referred to SAMA for further guidance on a case by case basis.

4) ***Evaluation and Approval of the ABEP:*** While evaluating and approving the ABEP of a bank, SAMA shall take into account the following considerations:

- i. The ABEP submitted by a bank shall be evaluated by SAMA with a view to promote outreach expansion and financial inclusion as also to achieve geographical diversification of branch network;
- ii. Based on the evaluation of ABEP and after obtaining approval by the Minister of Finance, SAMA will endeavor to convey its decision in writing to the bank within three months of submission of ABEP, granting its approval or otherwise of the proposed plan;
- iii. Any subsequent changes in approved ABEP shall require prior approval from SAMA, for which banks have to make a request in writing along-with providing the justification for the proposed changes.

5) ***Opening of Branches:*** While opening the branches approved by SAMA under the ABEP, the banks shall ensure the following:

- i. After receiving approval from SAMA, banks shall finalize the branch location, seek necessary approvals from concerned government authorities, construct the branch and make all other arrangements to open the branch;
- ii. Once a branch is ready to commence operations, banks shall obtain a formal license from SAMA for opening of the branch already approved under the ABEP. 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 for opening of the branch are in place;
- iii. All applications for obtaining a license for opening new branches shall be submitted along with all relevant information including, inter alia:
 - a. the exact location of the branch;
 - b. the safety and security arrangements for the branch and the 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 statement from the internal audit department of the bank confirming that the new branch comply with all relevant requirements of the government authorities and SAMA.
- iv. Banks will be required to finalize necessary arrangements and apply for licenses for opening of all branches approved under ABEP, latest by 31st December of the calendar year for which the ABEP is approved. In case the arrangements for opening of any approved branches have not been finalized within the stipulated timeline, banks can approach SAMA along-with valid reasoning for extension in the timeline;
- v. The process of evaluating branch license applications will be simplified and streamlined within SAMA with the implementation of ABEP, and the license will be issued expeditiously provided all relevant approvals and information as required under Para 5(iii) above are provided by banks along with the application;
- vi. Once a formal license is issued by SAMA 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;
- vii. Banks shall inform SAMA in writing within 14 days of commencement of operations by a new branch.
- 6) Banks are required to ensure compliance of the requirements under this circular. SAMA will monitor compliance through its supervisory processes and may take appropriate measures as needed to encourage banks to comply with these requirements.



Abdulaziz A. Al-Helaissi
Deputy Governor for Supervision

Annexure- I

Name of the Bank:-----

ANNUAL BRANCH EXPANSION PLAN

Annual Branch Expansion Plan(ABEP) should provide at least the following information.

1. Existing branches:

Following information on existing branches and service centers of the bank should be provided.

Sr. No.	Zones	No. of Existing Branches	No. of Existing Service Centers	Total
1.	Zone 1			
2.	Zone 2			
3.	Zone 3			
4.	Zone 4			
5.	Outside KSA			
6.	Total			

2. Existing Loss Making Branches:

Following information on the existing loss making branches and service centers of the bank should be provided.

Sr. No.	Zones	No. of Branches	No. of Service Centers	Total
1.	Zone 1			
2.	Zone 2			
3.	Zone 3			

4.	Zone 4			
5.	Outside KSA			
6.	Total			

Please also attach a list of all loss making branches with amount of loss incurred by each branch during each of the preceding three calendar years and date of opening of each such branch.

3. *Planned Opening of New Branches:*

Following information on branches and service centers proposed to be opened during the next calendar year should be provided:

Sr. No.	Zones	No. of Branches	No. of Service Centers	Total
1.	Zone 1			
2.	Zone 2			
3.	Zone 3			
4.	Zone 4			
5.	Outside KSA			
6.	Total			

Please attach a list of the proposed braches mentioning name of the city, tentative location (if already finalized), zone of location, brief justification for choice of the city/location, and projected business/financial impact of each of the proposed branch/service center.

4. *Planned Closure or Relocation of Branches:*

Following information on branches and service centers proposed to be closed or relocated during the next calendar year should be provided:

Sr. No.	Zones	No. of Branches	No. of Service Centers	Total
1.	Zone 1			
2.	Zone 2			

3.	Zone 3			
4.	Zone 4			
5.	Outside KSA			
6.	Total			

Please attach a list of the branches planned to be closed or relocated during the next calendar year mentioning: (i) In case of closure: existing location and city along with reasons for closure; (ii) In case of relocation: existing and proposed location/city, Zone of the new location and reasons for relocation.

5. Information on Last ABEP:

Please provide the following information about last approved ABEP (this will not be applicable for the first ABEP to be submitted by 30th November 2014):

- i. Total branches and service centers approved under the last ABEP;
- ii. Number of branches and service centers already opened out of last approved ABEP;
- iii. Number of branches and service centers which could not be opened out of last approved ABEP;
- iv. Reasons for not opening of any branches or service centers out of last approved ABEP.

6. Any other relevant information to justify the approval of the proposed ABEP.

7. Name and contact details of the authorized person to whom can be approached for any further information or clarification on ABEP.

Signed By:

Managing Director / Chief Executive Officer

Name of the Bank