



# Saudi Arabian Interbank Offered Rate (SAIBOR)

January 2019  
(Third Version\*)



\*Changes from previous version are underlined



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In line with SAMA's continued efforts to maintain the quality and soundness of the Saudi Interbank Offered Rate "SAIBOR" and due to its importance and wide use in both the Kingdom's financial sector and globally, SAMA recently conducted the first standalone SAIBOR Thematic Review that covered all the Contributing Banks (12 local banks). Following the SAIBOR thematic review, SAMA has amended the previous Circular # 371000104815 dated 25/9/1437H on the above-subject. This Circular supersedes the aforementioned previous Circular. The enhancements to the previous Circular are underlined. Banks are required to ensure that these changes/enhancements are implemented with immediate effect.

### **1. Definition of SAIBOR/SAIBID**

*SAIBOR – The rate at which contributing banks would be able to borrow unsecured interbank funds in Saudi Riyals, were they to accept offers in reasonable market size from other banks in the SAIBOR contributing banks at 11:00am Riyadh time.*

*SAIBID – The rate which contributing banks would be willing to pay for an unsecured deposit in reasonable market size from another SAIBOR contributing bank in Saudi Riyals at 11:00am Riyadh time.*

A contributing bank's standard ticket size should be in line with its size, business volume and average historical ticket sizes. The standard ticket size should also be included in SAIBOR reports sent to SAMA.

### **2. Banks Internal Methodologies**

All Banks must develop and implement reasonable methodologies based on quantitative and qualitative factors to support their rate submission. Bank SAIBOR methodologies are required to be heavily biased towards the quantitative factors and no more than 10% weightage for the qualitative factors used in their SAIBOR/SAIBID input methodologies. The overall methodology should at a minimum include the following:

- Eligible inputs in rate setting;
- Procedures to detect and evaluate the bonafide nature of such inputs;
- Policies guiding and detailing the use of expert judgment, including documentation;
- Maintaining records and underlying documentation supporting submissions;
- Procedures for pre-submission validation of eligible inputs and procedures for review by senior staff to check inputs before submission.

These methodologies should be approved by the Board, Board delegated authority or the Executive Committee and should be consistently applied. The Internal Audit Department should once a year undertake a review of the process and of the methodologies and report to the Audit Committee or to the Board on the compliance with the established policies and procedures.



### **3. Submission Procedures**

Contributing banks are to provide the rate at which they could borrow unsecured interbank funds for each SAIBOR tenor to the calculation agent on a daily basis (by 11:00am Riyadh time).

Also, Contributing Banks should provide rates they would be willing to pay for an unsecured deposit from another contributing Bank, daily at 11:00am Riyadh time.

Banks are required to implement a process whereby the Head of Asset and Liability Management (ALM) or similar position in the bank (without any role in proprietary trading) takes the responsibility for submission of the SAIBOR/SAIBID rates on a daily basis to the Calculation Agent and the Administrator independently without any influence from the bank's Treasurer or the Deputy Treasurer". Such a role is now considered a SAMA approved position under SAMA's Fit & Proper regulations and banks are required to obtain SAMA's approval for individuals in these roles using the standard SAMA Fit and Proper application procedures.

### **4. Standards for Submission & Data Keeping**

Banks are expected to:

- 1. Submit SAIBOR representing the average rate offered by contributing Banks to the contributing Bank for the tenor(s) for which it wishes to take unsecured funds (extrapolated where necessary).*
- 2. Take (up to a standard ticket across relevant tenors) unsecured deposits from contributing banks at the rate underlying the bank's SAIBID submission.*
- 3. A Commitment to maintain a reasonable spread between SAIBOR and SAIBID.*
- 4. Maintain records and evidence to substantiate the rates submitted to the calculation agent.*
- 5. In case of significant perceived credit deterioration of a SAIBOR contributing bank, SAMA and the Benchmark Administrator should be informed to review eligibility of the bank concerned.*

### **5. Reporting to SAMA**

Banks are required to provide a bi-weekly report (on 15<sup>th</sup> and 30<sup>th</sup> of the month) on their interbank transactions using the existing SAMA SAIBOR bi-weekly prudential return within five (5) working days after the end of each period