

Banking Supervision Dept.

From : Saudi Arabian Monetary Agency
CC : H.E. Abdulaziz Al-Helaissi, Deputy Governor for Supervision
To : All Banks
Attention : Managing Directors, Chief Executive Officers and General Managers
Subject : **Basel Committee on Banking Supervision Document regarding A Sound Capital Planning Process: Fundamental Elements**

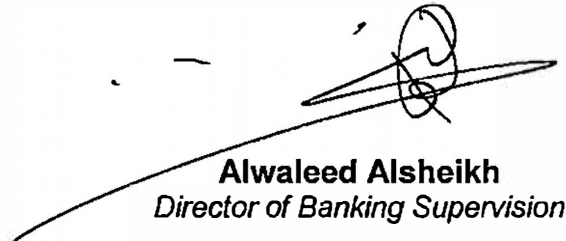
An important lesson from the financial crisis concerns the need for banks to strengthen their capital planning processes by making it more comprehensive, forward-looking and adequately formalized.

Consequently, some banks continued to pay dividends and repurchase common shares when capital could have been retained to insulate them against potential future losses. Additionally, banks also issued capital instruments – such as hybrid debt – that ultimately proved ill-equipped to absorb realized losses.

While, this paper does not set forth new capital planning guidance, it presents sound international practices to foster improvement in the capital planning processes of banks. It is not intended to describe an ideal state, as banks' practices and processes are expected to continue to improve and evolve. This paper is not meant to outline a one-size-fit to capital planning, as it is understood that banks would need to adopt solutions that are tailored to their individual circumstances. In this respect, banks will be expected in due course to refer to this document in preparation their annual bank documents.

The Banks can access this BCBS document from BIS website: www.bis.org where they are expected to review it and incorporate it where relevant in their own internal capital planning framework.

Best regards,


Alwaleed Alsheikh
Director of Banking Supervision