

# Saudi Arabian Monetary Agency

BANKING CONTROL



From : Saudi Arabian Monetary Agency  
To : All Domestic Banks  
Attention : Managing Directors, Chief Executive Officers and General Managers  
Subject : **Revisions to the securitisation framework**

In July 2016, the Basel Committee on Banking Supervision (BCBS) published an updated standard for the regulatory capital treatment of securitisation exposures that includes the regulatory capital treatment for "Simple, Transparent and Comparable" (STC) securitisations. This standard amends the BCBS's 2014 capital standards for securitisations.

The capital treatment for STC securitisations builds on the 2015 STC criteria published by the BCBS and the International Organization of Securities Commissions. The new standard sets out additional criteria for differentiating capital treatment of STC securitisations from other securitisation transactions. The additional criteria, for example, exclude transactions in which the standardised risk weights for the underlying assets exceed certain levels. This ensures that securitisations with higher-risk underlying exposures do not qualify for the same capital treatment as STC-compliant transactions.

Compliance with the expanded set of STC criteria should provide additional confidence in the performance of the transactions, and thereby warrants a modest reduction in minimum capital requirements for STC securitisations. Compared to the consultative version in November 2015, the final standard has scaled down the risk weights for STC securitisation exposures, and has reduced the risk weight floor for senior exposures from 15% to 10%.

Banks are expected to review the BCBS document available at the BIS website [www.bis.org](http://www.bis.org) and undertake the necessary changes to comply with it from the date of issuance of this circular.

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