

**Banking Supervision Dept.**

From : Saudi Arabian Monetary Agency

CC : H.E. Abdulaziz Al-Helaissi, Deputy Governor for Supervision
Osamah Shaker, General Director of Banking Control

To : All Banks

Attention : Managing Directors, Chief Executive Officers and General Managers

Subject : **National Discretions concerning SAMA's Implementation of Capital Reforms Under Basel III Framework**

The Agency refer to its circular # 341000015689 dated 19 December 2012 concerning its Final Guidance Document regarding Implementation of Capital reforms under Basel III Framework.

In this respect, the Basel III capital framework permits national discretions to be exercised in a number of areas for the standards to be implemented in a manner that takes into consideration local market considerations within certain parameters that ensure adherence to overall BCBS objectives.

Accordingly, the Agency has exercised National Discretions in many areas (see attached) which Saudi banks must take into consideration in their implementation of Basel III.

Best regards,


Alwaleed Alsheikh
Director of Banking Supervision

Basel III National Discretions

Para	Areas of national discretion	KSA
52	Consider appropriate audit, verification or review procedures	Yes
61	Apply a limit lower than 0.6% to excess provisions	No
78-79	FAQ14 consolidation alternative to deduction	No
80 FN 27	Permit banks to use a conservative estimate instead of look-through	Yes
80	Permit banks to exclude investments made in the context of resolution	Yes
84 FN 31	Permit banks to use a conservative estimate instead of look-through	Yes
84	Permit banks to exclude investments made in the context of resolution	Yes
99	Apply para 104 instead of 98 non-IMM CVA charge	No
121	Allow banks to use unsolicited ratings	No
132 (c)	Apply at solo level	Yes
132 (d)	Impose time limits on draw down of buffers	Yes
133	Impose shorter transitional periods	No
142	FN 50 Apply at solo level	Yes
PON	Press release 1 (a) Apply Statutory approach	No