

Saudi Arabian Monetary Agency

Banking Supervision Dept.

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From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers and
General Managers
Subject : **Monitoring of Liquidity Risk Through Basel III Framework
Concerning Minimum Regulatory Liquidity Standard Ratios**

A major initiative announced by the Basle Committee (the Committee) in its Basel III reform package issued in December 2010 relates to Standard Minimum Liquidity Ratios to strengthen global liquidity regulations with the goal of promoting a more resilient banking sector. The objective of the reforms is to improve the banking sector's ability to absorb shocks arising from financial and economic stress.

Consequently, the Committee has further strengthened its liquidity framework by developing two *minimum* standards for funding liquidity. These standards have been developed to achieve two separate but complementary objectives. The first objective is to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for one month. In this regard, the Committee developed the Liquidity Coverage Ratio (LCR) to achieve this objective. The second objective is to promote resilience over a longer time horizon. The Net Stable Funding Ratio (NSFR) has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities. Further, the BCBS requires the monitoring of these ratios commencing January 1, 2012 where LCR and NSFR will be finalized in 2015 and 2018 respectively.

For SAMA to make an early assessment of the Banks' LCR and NSFR ratios, the Agency wishes to carry out a quantitative impact survey of all Saudi local banks. Consequently, it requires the completion of the attached Returns by 30 November 2011 on the basis given below.

1. The information to be submitted should be from data as of 30 June 2011.
2. The three Banks that are already participating in the Basle QIS exercise do not need to fill these returns.
3. The Agency is attaching a complete set of QIS Returns and Guidance documentation on liquidity as hard copy, which the banks are expected to utilize.
4. Soft copies of these returns and Guidance document are based on the BCBS Quantitative Impact Survey and can be obtained from BIS website: www.bis.org/bcbs/qis/.

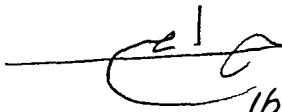
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Since, the BIS website contains returns and guidance documentation relating to Capital Reforms, Liquidity ratios and Leverage ratio. Please only refer to the components relating to Liquidity ratios including LCR and NSFR.

The Basle agreed monitoring period for the LCR and NSFR commences on 1st January 2012. Consequently, all Banks will be expected to provide these returns to SAMA on a quarterly basis. Therefore, the first submission as of 31 March 2012 will be due by 15 May 2012.

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for **Abdulrahman A. Al-Kalaf**
*Deputy Governor
for Technical Affairs*