



June 2016

From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers and General Managers
Subject : **Capital requirements for bank exposures to central counterparties**

Background

The Basel document on capital requirements for bank exposures to central counterparties addresses the following requirements:

- including a single approach for calculating capital requirements for a bank's exposure that arises from its contributions to the mutualised default fund of a Qualifying CCP (QCCP);
- employing the standardised approach for counterparty credit risk (as opposed to the Current Exposure Method) to measure the hypothetical capital requirement of a CCP;
- including an explicit cap on the capital charges applicable to a bank's exposures to a QCCP;
- specifying how to treat multi-level client structures whereby an institution clears its trades through intermediaries linked to a CCP; and
- incorporating responses to frequently asked questions posed to the Basel Committee in the course of its work on the final standard.

SAMA has conducted a consultation process with the Saudi Banks in the development of this regulation, which is attached in the annexures containing:

- Annexure 1: Capital requirements for bank exposures to central counterparties (available on BIS website <http://www.bis.org/publ/bcbs282.pdf>)
- Annexure 2: SAMA's position on National Discretion
- Annexure 3: Changes in the templates 17.2, 17.4, 17.5.3 and 17.6. Please ensure that these templates are cross-validated and reconciled to other Q17 templates.
- Annexure 4: List of Foreign QCCPs – This is an initial list which will be reviewed on an ongoing basis in future.
- Annexure 5: Frequently Asked Questions (FAQs) and answers

Implementation date

These rules are applicable from 1 January 2017 as specified in the Basel document.

For:

Thamer M. AlEssa

Director General of Banking Control