

Saudi Arabian Monetary Agency

BANKING CONTROL



From : Saudi Arabian Monetary Agency

To : All Banks

Attention: Managing Directors, Chief Executive Officers and General Managers

Subject : **Frequently Asked Questions (FAQs) on the Basel III leverage ratio framework**

We refer to SAMA's Circular # 351000133367 dated 25/08/2014 regarding the Basel Committee on Banking Supervision's (BCBS) standards on Basel III Leverage Ratio framework, which require public disclosure requirements to be applicable from 1 January 2015.

The Basel Committee has agreed to periodically review Frequently Asked Questions (FAQs) and publish answers along with any technical elaboration of the standards text and interpretative guidance that may be necessary. The document sets out the first and second sets of FAQs that relate to the Basel III leverage ratio framework with the changes highlighted as yellow. The questions and answers are grouped according to different relevant areas as stated below:

- (i) (Section 1) - Criteria for the recognition of cash variation margin associated with derivative exposures;
- (ii) (Section 2) - Centrally cleared client derivative exposures;
- (iii) (Section 3) - Exposures and netting of Securities Financing Transactions (SFTs);
- (iv) (Section 4) - The treatment of netting of SFTs and derivatives under a cross-product netting agreement;
- (v) (Section 5) - The exposure measure under the additional treatment for credit derivatives; and
- (vi) (Section 6) - The treatment of long settlement transactions and failed trades.

Banks should access the BCBS document from BIS website www.bis.org.

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