Saudi Arabian Monetary Agency

Banking Supervision Dept.

From

Saudi Arabian Monetary Agency

To

All Banks

Attention:

Managing Directors, Chief Executive Officers and General

Managers

Subject :

Basle Committee for Banking Supervision (BCBS) Finalized

Document entitled "Principles for Effective Risk Data

Aggregation and Risk Reporting"

We refer to SAMA's Circular # BCS 22099 dated 4 July 2012 with regard to the BCBS consultative document sent to all banks for comments entitled "Principles for Effective Risk Data Aggregation and Risk Reporting". Subsequently, the BCBS finalized this document in January 2013 which can be obtained by your bank from BIS website: www.bis.org.

One of the significant lessons learnt from the global financial crisis was that banks', including Global Systemically Important Banks (GSIB's), Information Technology (IT) and data architectures were inadequate to support the broad management of financial risks. Many banks lacked the ability to aggregate risk exposures and concentrations effectively at the bank group level, across business lines and between legal entities. Consequently, banks were unable to manage their risks because of their weak risk data aggregation capabilities and risk reporting practices.

Many in the banking industry recognize the benefits of improving their risk data aggregation capabilities and are working towards this goal. They see the improvements in terms of strengthening the capability and the status of the risk function to make judgments. This leads to gains in efficiency, reduced probability of losses and enhanced strategic decision-making, and ultimately increased profitability.

Further, improving banks' ability to aggregate risk data will also improve their resolvability, and for G-SIBs in particular, it is essential that resolution authorities have access to aggregate risk data that complies with the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions as well as the principles set out in this document. For recovery, a robust data framework will help banks and supervisors anticipate problems ahead. It will also improve the prospects of finding alternative options to restore financial strength and viability when the firm comes under severe stress.

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The Agency expects all banks to benefit from these Principles with regard to risk data aggregation and risk reporting and accordingly implement all of these by 2016 and in this respect, banks must develop an implementation strategy. Further, SAMA from time to time through its regular On-Site Examinations, Supervisory Review Visits, and through bilateral and multilateral meetings will discuss and track the implementation of these Principles.

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