

# Saudi Arabian Monetary Agency

Banking Supervision Dept.

16 July 2011

BCS. 1915.

From : Saudi Arabian Monetary Agency  
To : All Banks  
Attention : Managing Directors, Chief Executive Officers and  
General Managers  
Subject : **BCBS Documents: Range of Methodologies for Risk  
and Performance Alignment of Remuneration; and  
Pillar 3 disclosure requirements for remuneration**

The Basel Committee on Banking Supervision (BCBS) has issued the final versions of its following documents relating to compensation practices:

- i. The document titled "Range of Methodologies for Risk and Performance Alignment of Remuneration" issued on 12 May 2011. The document provides guidance on the design of risk-adjusted remuneration schemes and highlights issues that may affect the effectiveness of the risk adjustment methodologies;
- ii. The document titled "Pillar 3 disclosure requirements for remuneration" issued on 1 July 2011. The disclosure requirements specified under this document cover the main components of sound remuneration practices and are aimed to support effective market discipline by allowing market participants to assess the quality of a bank's compensation practices;

Both the above documents can be accessed from the Bank for International Settlements website (<http://www.bis.org>).

SAMA has already issued its Rules on Compensation Practices to banks vide Circular No. BCS/12580 dated 3 May 2010, which sets out the requirements, inter alia, on alignment of compensation with risk taking and compensation related disclosures. All banks are required to take into account the guidance

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provided in the above documents while complying with the SAMA Rules on Compensation Practices.

In case you need any further information in this regard, please contact Mr. Fahd Al-Mufarrij at telephone # 01 466 2305 or Mr. Jameel Ahmad at 01 466 2071.

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