



Circular No.: 361000036260
Dated: 29 December 2014

From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers and
General Managers
Subject : **SAMA's Finalized Guidance Document and Prudential
Returns Concerning Net Stable Funding Ratio (NSFR)
based on BCBS Document of October 2014**

A major initiative announced by the Basle Committee in the Basel III reforms package issued in December 2010 was related to Minimum Liquidity Ratio Standards to strengthen global liquidity regulations with the goal of promoting a more resilient banking sector.

In this respect, we refer to SAMA Circular # BCS 14522 of 8 February 2012, through which SAMA introduced the monitoring of the BCBS Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) based on the BCBS publication of the Liquidity Framework of 2010. This BCBS document indicated that both the LCR and NSFR will be subject to an observation period and will include a review clause to address any unintended consequences. It also indicated that after an observation period beginning in 2011, the LCR, including any revisions, will be introduced from 1 January 2015. The NSFR, including any revisions, will move to a minimum standard by 1 January 2018. Consequently, for monitoring purposes, Saudi banks have been providing their quarterly LCR and NSFR ratios to date since January 2012.

SAMA is now issuing its Net Stable Funding Ratio framework which incorporates General and Specific Guidance Notes as well as Prudential Reporting Templates based on the BCBS document of October 2014. This BCBS document of 2014 incorporate revisions to the 2010 document.

SAMA intends to issue further instructions with regard to the necessary National Discretions concerning item # 8 titled "Interdependent Assets and Liabilities" on page 15 and item # 9 titled "Off-balance sheet exposures" on page 16.

Consequently, effective 1 January 2015, Banks are expected to utilize the attached framework of NSFR comprising of Guidance Notes and Prudential Returns. These Prudential returns are expected to be submitted on a quarterly basis. Therefore, banks will submit their first quarterly Prudential Returns for data as of 31 March 2015 to be received in SAMA by 30 April 2015.

In line with the timeline specified in the 2010 publication of the liquidity framework, the NSFR will become a minimum standard by 1 January 2018.



The banks should access the BCBS document from BIS website: www.bis.org titled "Basel III: The Net Stable Funding Ratio" dated October 2014 for their reference and understanding. Also should a bank need any clarification, it should contact Dr. Alwaleed Alsheikh at 01-466-2612, e-mail: akalsheikh@sama.gov.sa, or Mr. Tariq Javed at 01-466-2524, e-mail: t_javed@sama.gov.sa. Depending on the questions raised by banks, SAMA may decide to introduce an FAQ process.

Osamah Shaker

Director General of Banking Control