



Circular No.: 351000147158
Date: 1435/12/01 (H)
25/09/2014 (G)

From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers and General Managers
Subject : **SAMA's Revised Basel II, II.5 and III Regulations and Guidance documents**

As you are aware, SAMA has undertaken a comprehensive review of its Basel II, II.5 and III Regulations, Rules and Guidance documents against relevant Basel Standards and Guidance in the area of the Capital Adequacy Framework. In this connection, we issued to you Circular # 351000123076 on 21 July 2014 that informed you of the relevant revisions that were made to our Circulars and which were listed in Attachment 1 for easy reference.

SAMA has incorporated these revisions into each document, and is now issuing revised and updated Regulations, Rules and Guidance documents listed in the Attachment 1 to this Circular. In future, Banks should use these finalized documents for their work on Basel II, II.5 and III, and for reference purposes.

SAMA also wishes to provide clarifications on certain queries by Saudi banks on some SAMA circulars related to Basel II, II.5 and III. Banks should note the following:

- (1) On 6 June 2006, SAMA had issued Regulations entitled - Detailed Guidance Document Consultative Draft No 2, 2006, covering matters pertaining to Basel II. For the purpose of Basel II implementation, this document was considered as final and binding. The title of the aforementioned document has now been amended to - SAMA Detailed Guidance Document Relating to Pillar 1, June 2006.
- (2) On 22 March 2007, SAMA had issued Regulations entitled - SAMA - Basle II Prudential Returns Consultative Draft No 2, covering matters pertaining to Basel II Prudential returns. This document has been implemented as final and binding since the date of issuance. The title of the aforementioned document was recently amended to - Prudential Returns Basel II, March 2007.
- (3) On 29 July 2009, SAMA had issued circular No BCS 769 entitled - Enhancements and Revisions to the Basel II Framework, Market Risk and Trading Book requiring banks to establish necessary policies, systems and processes to enable them to meet the Basel requirements pertaining to:

- Enhancement to the Basel II Framework, July 2009;
- Revisions to the Market Risk Framework (subsequently updated as of 31 December 2010 and intimated by BCBS in February 2011); and
- Guidelines for Computing Capital for Incremental Risk in the Trading Book

SAMA confirms that all the regulations identified above were binding on banks from the date of the original issuance including the subsequent BCBS amendment in February 2011.

(4) SAMA has issued a circular No. BCS 28548, entitled "Treatment of Trade Finance under Basel Capital Framework" dated 21 November 2011. SAMA wishes to clarify that it has considered it to be binding on banks from the issuance date and subject to full implementation.

We hope that the above comments and response are clear; however, in case you have questions, you may contact the undersigned or Mr. Tariq Javed at +9661-466-2532.

Alwaleed Al-Sheikh
Director of Banking Supervision

**List of SAMA's
Revised Regulations and
Guidance Documents
concerning Basel II, II.5 and III**

	Title of Documents (Circular)	Circular # and Date
1.	Basel II – SAMA's Detailed Guidance Document relating to Pillar 1, June 2006	BCS 290 dated 12 June 2006
2.	SAMA - Basel II Prudential Returns	BCS 180 dated 22 March 2007
3.	SAMA's Amended IRB Prudential Returns and Guidance Notes Package and Frequently Asked Questions (FAQs)	BCS 5318 dated 18 January 2012
4.	Guidance On Application Procedures, For Adoption Of The IRB Approach By Banks Licensed In Saudi Arabia	BCS 210 dated 8 April 2008
5.	SAMA's Finalized Guidance Document for the Implementation of Basel II.5 Standardized and IRB Approaches (Document)	BCS 25478 dated 21 October 2012
6.	Capital Adequacy Requirements for Market Risk	BCS 355 dated 29 December 2004
7.	Basel II Bilateral Meeting	Circular issued in 27 February 2007
8.	Pillar 2: SAMA's Guideline Document on the Internal Capital Adequacy Assessment Plan (ICAAP)	Circular # 581 dated 22 September 2008
9.	Basel II – Pillar 3 Disclosure Requirements and Guidance Notes	BCS 378 dated 24 May 2007
10.	SAMA's Final Guidance Documents Concerning Implementation of Basel III Pillar 3 component	Circular # 341000019984 dated 29 December 2012
11.	SAMA's Final Guidance Document Concerning Implementation of Capital Reforms Under Basel III Framework	Circular # 341000015689 dated 19 December 2012
12.	SAMA's Final Document concerning Basel III Internal Rating Based (IRB) Approaches for Credit Risk	Circular # 351000121270 dated 17 July 2014