



Circular No.: BCS 25092

Date: 06/10/2012

From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers, General Managers
Subject : **BCBS Finalized Document Entitled "Capital Requirements for Bank Exposures to Central Counterparties"**

The BCBS has issued this finalized document entitled "Capital Requirements for Bank Exposures to Central Counterparties" which represents an interim framework for determining capital requirements for bank exposures to central counterparties.

The document makes additions and amendments to the *International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version*, June 2006 (hereinafter referred to as "Basel II"). In this respect, a **central counterparty** (CCP) is a clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the future performance of open contracts. A CCP becomes counterparty to trades with market participants through novation, an open offer system, or another legally binding arrangement.

In this regard, a **qualifying central counterparty** (QCCP) is an entity that is licensed to operate as a CCP under the jurisdiction regulatory and supervisory authority. This is subject to the provision that the CCP is based and prudentially supervised in a jurisdiction where the relevant regulator/overseer has established, and publicly indicated that it applies to the CCP on an ongoing basis, domestic rules and regulations that are consistent with the CPSS-IOSCO Principles for Financial Market Infrastructures.

All banks are expected to study this finalized document and appropriately incorporate risks relating to central counter parties in their internal risk management framework. Subsequently if necessary, SAMA will incorporate these requirements in its finalized Basel III Capital Adequacy framework.

This finalized document can be obtained from BIS Website: www.bis.org.

If you need any questions, you may contact Dr. Alwaleed Alsheikh (e-mail: akalsheikh@sama.gov.sa), Mr. Tariq Javed (email: t_javed@sama.gov.sa) Mr. Abbas Hassan (e-mail: ahassan@sama.org.sa).

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