Saudi Arabian Monetary Agency

Banking Supervision Dept.

13 February 2011

.BCS.0711

From : Saudi Arabian Monetary Agency

To : All Banks

Attention : Managing Directors, Chief Executive Officers and General Managers

Subject : **Basel Committee – Final Elements of the Reform to Raise the Quality of Regulatory Capital – Loss Absorbency at the Point of Non-Viability**

The Basel Committee on 13 January 2011 has issued a Press Release accompanied by the minimum requirements to ensure that all classes of capital instruments fully absorb losses at the point of non-viability before tax payers are exposed to losses. The Committee is proposing that in order for an instrument issued by a bank to be included in additional (i.e. non-common) tier-1 or tier-2 capital, it must meet or exceed minimum requirements set out in Annex 1 to the Basle Press Release dated 13 January 2011. These requirements are in addition to the criteria detailed in the Basel III capital rules that were published in December 2010.

All Banks in Saudi Arabia are required to be familiar with these minimum requirements and should take these into consideration when planning to issue any additional tier-1 or tier-2 capital instruments. These rules go into immediate effect from the date of this Circular. You may access the minimum requirements and the Press Release dated 13 January 2011 from Bank for International Settlements (BIS) website address: (http://www.bis.org).

If you have any questions related to this subject, you may refer these to Mr. Fahd Al-Mufarrij at E-mail address: fmufarrij@sama-ksa.org, Mr. Tariq Javed at E-mail address: t_javed@sama-ksa.org, or any member of the SAMA's Basel II Team.

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