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From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers and
General Managers
Subject : **Basel Committee on Banking Supervision (BCBS) Standards
of January 2015 concerning Revised Pillar 3 Disclosure
Requirements**

Market discipline has long been recognised as a key objective of the Basel Committee on Banking Supervision (BCBS). It reduces information asymmetry and helps promote comparability of banks' risk profiles within and across jurisdictions. Pillar 3 of the Basel framework aims to promote market discipline through regulatory disclosure requirements. These requirements enable market participants to access key information relating to a bank's regulatory capital and risk exposures in order to increase transparency and confidence about a bank's exposure to risk and the overall adequacy of its regulatory capital.

The revised Pillar 3 disclosures in this document focus on regulatory measures defined in Pillar 1 of the Basel framework, which requires banks to adopt specified approaches for measuring credit, market and operational risks and their associated resulting risk-weighted assets (RWA) and capital requirements. In some instances, Pillar 3 also requires supplementary information to be disclosed to improve the understanding of underlying risks. The Committee continues to believe that a common disclosure framework based around Pillar 1 is an effective means of informing the market and allowing market participants to take informed investment decisions. However, the 2007–09 financial crisis, made it apparent that the existing Pillar 3 framework, even after its market risk and securitisation parts were enhanced in July 2009, failed to promote the identification of a bank's material risks and did not provide sufficient, and sufficiently comparable, information to enable market participants to assess a bank's overall capital adequacy and to compare it with its peers. The revised Pillar 3 disclosure requirements in this document are based on an extensive review of existing Pillar 3 reports, outreach with market participants and a consultation process extending from June to October 2014.

This document applies to all banks in Saudi Arabia as they have fully implemented the Basel III framework. Banks are expected to review this document and start developing their plans for implementation by studying carefully and become familiar with the rules text. During 2015, SAMA will be issuing specific guidance documents and templates for implementation effective January 2016.

If you need further clarifications, please contact Dr. Alwaleed Alsheikh at e-mail: akalsheikh@sama.gov.sa or Mr. Tariq Javed at e-mail: t_javed@sama.gov.sa or Mr. Abbas Hassan at e-mail: ahassan@sama.gov.sa.

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