



Circular No.: 85566
Date: 20 May 2013

From : Saudi Arabian Monetary Agency

To : All Banks

Attention : Managing Directors, Chief Executive Officers and General Managers

Subject : **Monitoring Tools for Intraday Liquidity Management of April 2013**

The Basle Committee on Banking Supervision (BCBS) has issued on April 2013 the captioned BCBS document concerning the monitoring tools for intraday liquidity management. In this respect, in September 2008, the Basel Committee on Banking Supervision (BCBS) published its Principles for Sound Liquidity Risk Management and Supervision (the Sound Principles), which provide guidance for banks on their management of liquidity risk and collateral. Principle 8 of the Sound Principles focuses specifically on intraday liquidity risk and states that:

“A bank should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems.”

Principle 8 identifies six operational elements that should be included in a bank's strategy for managing intraday liquidity risk. These state that a bank should:

- have the capacity to measure expected daily gross liquidity inflows and outflows, anticipate the intraday timing of these flows where possible, and forecast the range of potential net funding shortfalls that might arise at different points during the day;
- have the capacity to monitor intraday liquidity positions against expected activities and available resources (balances, remaining intraday credit capacity, available collateral);
- arrange to acquire sufficient intraday funding to meet its intraday objectives;
- have the ability to manage and mobilise collateral as necessary to obtain intraday funds;
- have a robust capability to manage the timing of its liquidity outflows in line with its intraday objectives; and
- be prepared to deal with unexpected disruptions to its intraday liquidity flows.

The Bank may obtain this document from the Bank for International Settlements (BIS) website: (<http://www.bis.org>) and incorporate its suggestions in its internal risk management system concerning liquidity risk.

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