Open Market Operations

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Open Market Operations: Background and Objectives
The Saudi Arabian Monetary Authority has launched complementary open market operations ("OMO") to its current offering of SAMA Bills to enhance short-term liquidity management in the local banking system.

What are Open Market Operations?
OMO are used by SAMA as tools to inject and withdraw short-term liquidity to and from the local banking system, in a manner consistent with its mandate of maintaining monetary and financial stability in the Kingdom.

By launching the latest complementary element, SAMA aims to address potential short-term liquidity needs in the local banking system on a systematic basis. In liquidity injecting transactions SAMA purchases eligible securities, as defined by SAMA’s collateral policy, with an agreement to resell the securities at a future date. The difference between the purchase and resale price will reflect the lending rate.

How will SAMA determine the short-term liquidity needs of the local banking system?
SAMA manages short-term system liquidity based on a number of considerations, including, but not limited to, SAMA’s assessment of current and projected liquidity conditions as well as desired policy outcome(s).

How often will liquidity injecting OMO be offered?
A certain level of liquidity will be offered regularly via OMO on a biweekly basis. However, SAMA may offer liquidity via OMO on an ad hoc basis if it deems necessary.

What are the maturities of the regular liquidity injecting OMO?
Beyond SAMA’s standing overnight repo facility, liquidity injecting OMO will be conducted regularly (biweekly) over three different tenors, namely, 7 days, 14 days and 28 days, which together reflect the specific needs of the local banking system.

What is the Open Market Operations’ pricing?
Pricing will be determined based on SAMA’s assessment of local liquidity needs and desired policy outcome(s).

Which parties are eligible to participate in liquidity injecting OMO?
The eligibility criteria for participating in the liquidity injecting OMO matches those for SAMA’s overnight repo facility, such that any entity with a valid SAMA banking license and access to the Saudi Arabian Riyal Interbank Express “SARIE” (i.e. local banks and branches of foreign banks) is eligible.