

2019

Monetary and Banking Developments

First Quarter, 2019



Research and International Affairs Deputyship
Economic Research Department

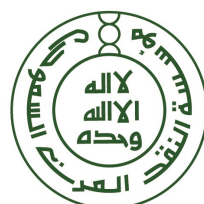


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Executive Summary

In the first quarter of 2019, SAMA decided to keep the reverse repo rate at 2.50 percent and the repo rate at 3.00 percent. The cash reserve ratio was maintained at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits. SAMA also continued to maintain the limit of weekly subscription to treasury bills for domestic banks at SAR 3.0 billion during the first quarter of 2019. The three-month Saudi interbank offered rate (SAIBOR) went up to 2.93 percent in Q1 2019.

Broad money supply (M3) decreased by 1.51 percent in Q1 2019, while the monetary base rose by 2.8 percent during the same period. Preliminary data of SAMA's balance sheet indicates that total foreign assets rose by 0.6 percent to SAR 1,864.2 billion at the end-Q1 2019. SAMA's total reserve assets also increased by 0.59 percent (SAR 11 Billion) to SAR 1,873.3 billion in Q1 2019.

Total bank deposits decreased by 2 percent to SAR 1,628.7 billion in Q1 2019. Total assets and liabilities of commercial banks amounted to SAR 2,364.2 billion at end-Q1 2019, increasing slightly by 0.04 percent.

Commercial banks' claims on the private and public sectors rose by 2.7 percent to SAR 1,835.3 billion during Q1 2019. Preliminary estimates suggest a surplus of SAR 69.5 billion in the current account balance in Q4 2018 compared to a y/y a surplus of SAR 25.0 billion.

In Q1 2019 Total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions went up by 5.1 percent (SAR 6 Billion to SAR 12447.2 Billion. Total number of ATM transactions in Q1 2019 was approximately 532.9 million, with cash withdrawals totaling SAR 183.5 billion, including transactions through banks' network and Mada. The Tadawul All Share Index (TASI) increased by 12.7 percent to 8,819 at end-Q1 2019.

Total assets of investment funds managed by investment companies increased by 7.1 percent (SAR 7.9 billion) to SAR 119.8 billion in Q1 2019. According to latest available data, total actual disbursements of loans from government Specialized Credit Institutions (SCIs) rose by 29.1 percent (SAR 1.4 billion), and total loan repayments to SCIs also increased by 12.8 percent (SAR 0.7 billion) in Q1 2019.

First: Monetary Policy

SAMA has been adopting a monetary policy aimed at achieving price stability, supporting the various economic sectors in line with domestic and international economic developments, and assisting domestic banks to perform their financing role in the domestic economy.

1.1 Rate of Return and Cash Reserve

In the first quarter of 2019, SAMA decided to keep the reverse repo rate at 2.50 percent and the repo rate at 3 percent.

SAMA's daily average repo transactions stood at SAR 33.7 million in Q1 2019 against SAR 304.6 million in Q4 2018, while daily average reverse repo transactions stood at SAR 63.6 billion in Q1 2019 compared to SAR 56.5 billion in Q4 2018.

The cash reserve ratio was maintained at 7.0 percent for demand deposits and at 4.0 percent for time and savings deposits.

1.2 Interest Rates

To encourage domestic banks to increase lending, SAMA continued to

maintain the limit of weekly subscription to treasury bills for domestic banks at SAR 3,0.0 billion in Q1 2019. The three-month Saudi interbank offered rate (SAIBOR) went up to 2.93 percent in Q1 2019. The three-month interest differential between the riyal (SAIBOR) and the dollar (LIBOR) deposits was 24 basis points in favor of the riyal in Q1 2019, compared to 18 basis points in Q4 2018. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of SAR 3.75.

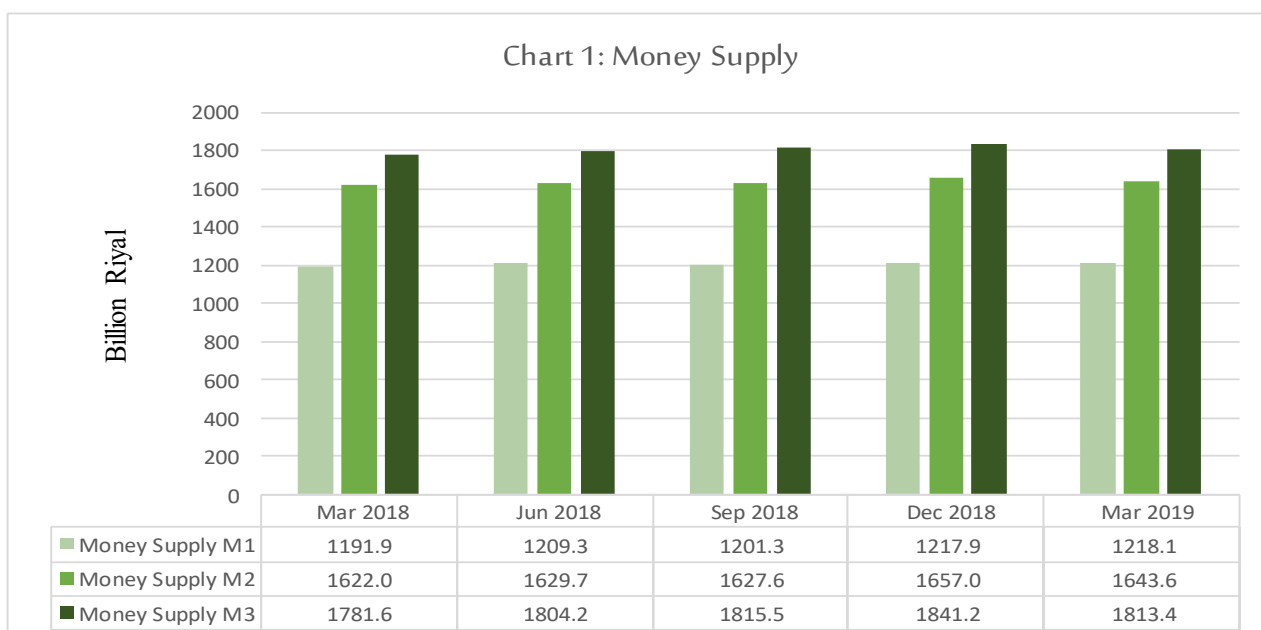
As regards foreign exchange swaps, SAMA did not make any swap transaction with domestic banks in Q1 2019.

Second: Monetary Developments

2.1 Money Supply

Broad money supply (M3) decreased by 1.5 percent (SAR 27.8 billion) to SAR 1,813.4 billion in Q1 2019, compared to a rise of 1.4 percent (SAR 25.7 billion) in the preceding quarter, a y/y increase of 1.8 percent (SAR 31.8 billion) (Chart 1).

A breakdown of the components of M3 in Q1 2019 indicates that narrow



money supply (M1) slightly rose by 0.01 percent (SAR 0.2 million) to SAR 1,218.1 billion or 67.2 percent of M3, compared to a rise of 1.4 percent (SAR 16.7 billion) in the preceding quarter, recording a y/y rise of 2.2 percent (SAR 26.2 billion). On the other hand, money supply (M2) registered a decline of 0.8 percent (SAR 13.3 billion) to SAR 1,643.6 billion or 90.6 percent of M3 in Q1 2019, compared to an increase of 1.8 percent (SAR 29.4 billion) in the preceding quarter. It recorded a y/y increase of 1.3 percent (SAR 21.7 billion).

2.2 Monetary Base

The monetary base went up by 2.8 percent (SAR 8.7 billion) to SAR 320.4 billion in Q1 2019 compared to a slight rise of 0.04 percent (SAR 0.1 billion) in the previous quarter. It registered a y/y increase of 2.7 percent (SAR 8.5 billion). A breakdown of the components of the monetary base indicates that deposits with SAMA rose by 5.0 percent (SAR 5.0 billion) to SAR 105.8 billion in Q1 2019 compared to an increase of 0.7 percent (SAR 0.7 billion) in the preceding quarter, recording a y/y rise of 6.4 percent (SAR 6.4 billion). Cash in vault decreased by 2.9 percent (SAR 0.9 billion) to SAR 29.8 billion, compared to a decline of 5.3 percent (SAR 1.7 billion) in the preceding quarter. It recorded a y/y decrease of 5.8 percent (SAR 1.8 billion). While Currency in circulation went up by 2.5 percent (SAR 4.6 billion) to SAR 184.7 billion, compared to a rise of 0.6 percent (SAR 1.1 billion) in the preceding quarter, recording a y/y decline of 2.2 percent (SAR 3.9 billion).

Third: Developments of SAMA's Balance Sheet

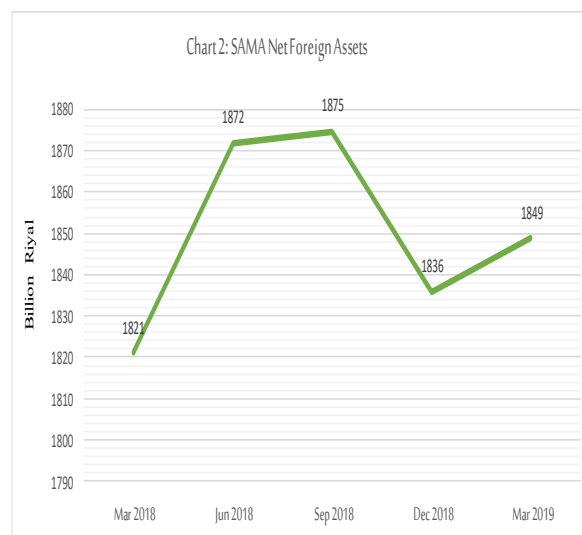
Preliminary data of SAMA's balance sheet indicates that total foreign assets increased by 0.6 percent (SAR 11.2 billion)

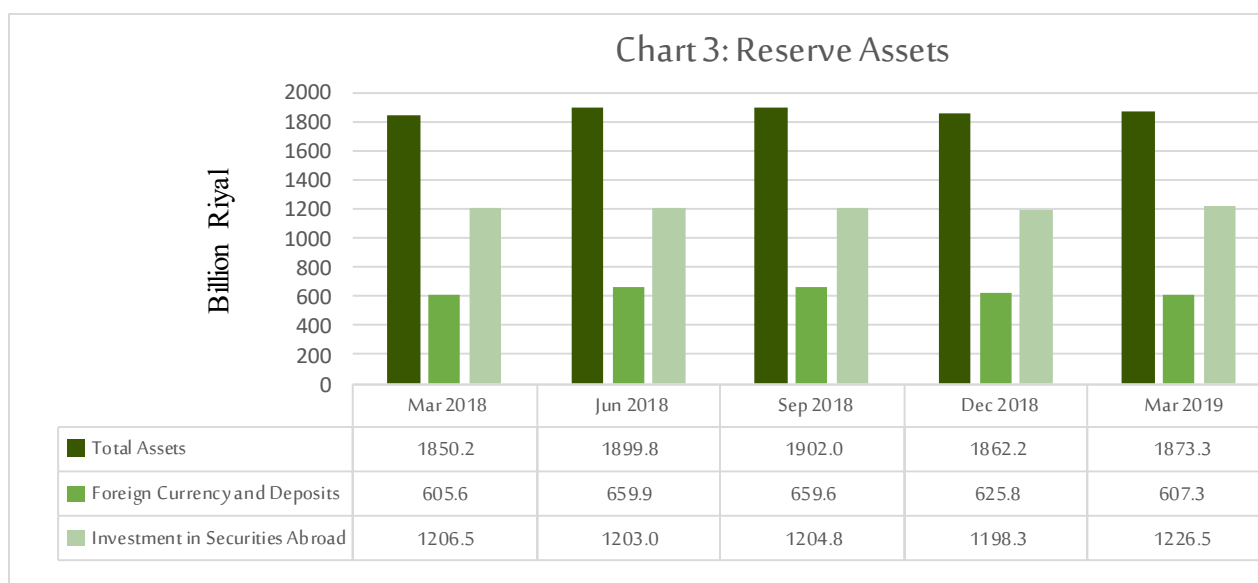
to SAR 1,864.3 billion in Q1 2019, compared to a rise of 2.9 percent (SAR 53.1 billion) in the preceding quarter. They registered a y/y rise of 1.3 percent (SAR 24.7 billion). Total net foreign assets went up by 0.7 percent (SAR 12.9 billion) to SAR 1,848.7 billion in Q1 2019, compared to a decrease of 2.1 percent (SAR 38.8 billion) in the preceding quarter. They registered a y/y increase of 1.5 percent (SAR 27.7 billion) (Chart 2).

Total deposits in domestic currency for foreign entities decreased by 9.7 percent (SAR 1.7 billion) to SAR 15.5 billion in Q1 2019, compared to a decline of 4.1 percent (SAR 0.7 billion) in the preceding quarter. They recorded a y/y decrease of 16.2 percent (SAR 3.0 billion).

3.1 Reserve Assets

SAMA's total reserve assets increased by 0.6 percent (SAR 11.1 billion) to SAR 1,873.3 billion in Q1 2019, compared to a decrease of 2.1 percent (SAR 39.8 billion) in the preceding quarter. They recorded a y/y rise of 1.2 percent (SAR 23.1 billion) (Chart 3). A breakdown of the components of total reserve assets in Q1 2019 as compared to the preceding quarter indicates that the reserve position with the IMF rose by 22.5 percent (SAR 1.4 billion)





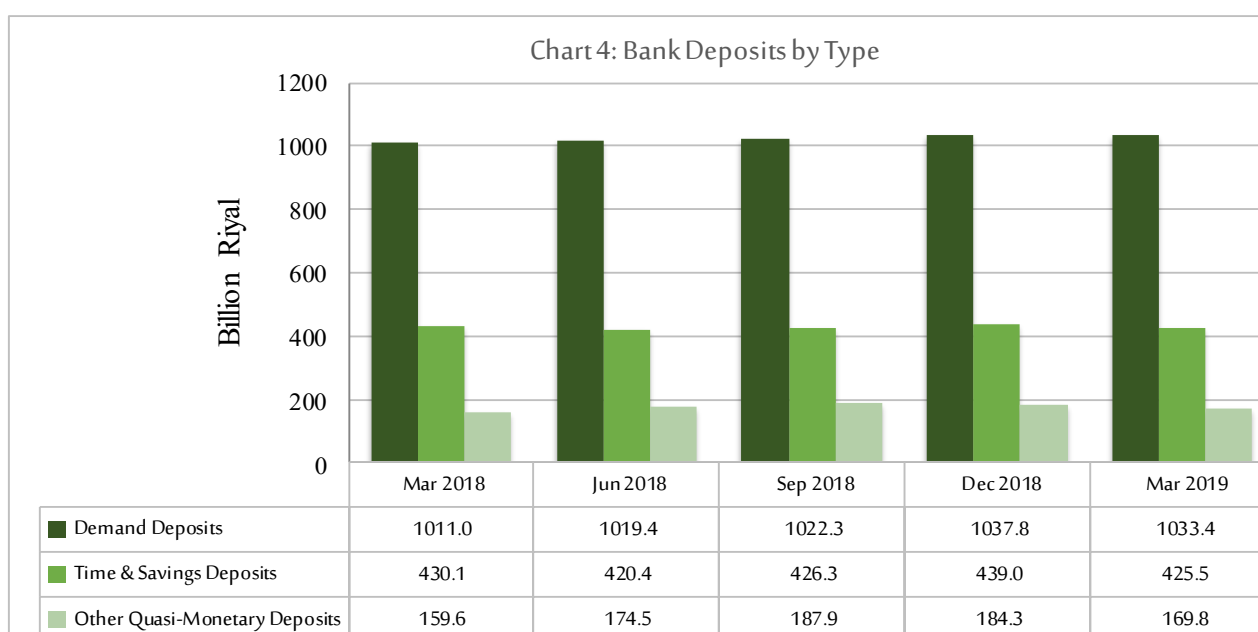
to SAR 7.6 billion; investments in securities abroad rose by 2.4 percent (SAR 28.2 billion), In contrast, foreign exchange and deposits abroad decreased by 3.0 percent (SAR 18.5 Billion) to SAR 607.3 billion. The balance of special drawing rights decreased by 0.2 percent (SAR 0.1 million) to SAR 30.3 billion, and gold reserve was stable at SAR 1.6 billion.

Fourth: Banking Developments

4.1 Bank Deposits

Total bank deposits decreased by 2.0 percent (SAR 32.4 billion) to SAR 1,628.7 billion in Q1 2019, compared to a rise of 1.5 percent (SAR 24.6 billion) in the preceding quarter. They recorded a y/y rise of 1.7 percent (SAR 27.9 billion).

A breakdown of deposits by type in Q1 2019 indicates that demand deposits declined by 0.4 percent (SAR 4.4 billion) to SAR 1,033.4 billion, compared to a 1.5 percent (SAR 15.5 billion) rise in the



preceding quarter, registering a y/y increase of 2.2 percent (SAR 22.3 billion). Time and savings deposits declined by 3.1 percent (SAR 13.5 billion) to SAR 425.5 billion, compared to a 3.0 percent (SAR 12.7 billion) rise in the preceding quarter. They registered a y/y fall of 1.1 percent (SAR 4.6 billion). Other quasi-monetary deposits decreased by 7.9 percent (SAR 14.5 billion) to SAR 169.8 billion compared to a decline of 2.0 percent (SAR 3.7 billion) during the preceding quarter, recording a y/y rise of 6.3 percent (SAR 10.1 billion) (Chart 4).

4.2 Assets and Liabilities of Commercial Banks

Total assets and liabilities of commercial banks reached SAR 2,364.2 billion at end-Q1 2019, increasing by 0.04 percent (SAR 0.8 billion) compared to a q/q rise of 1.4 percent (SAR 32.6 billion). They also registered an annual increase of 4.5 percent (SAR 101.8 billion).

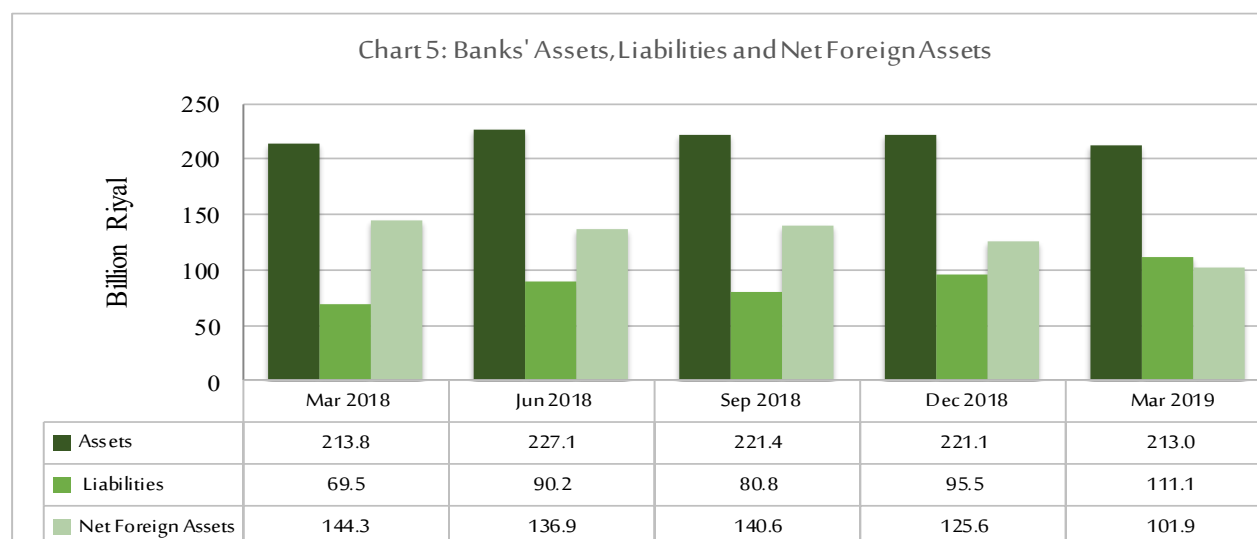
4.3 Commercial Banks' Foreign Assets and Liabilities

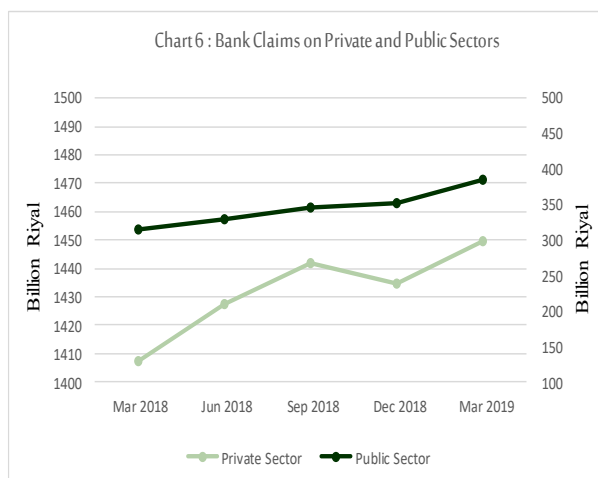
Total foreign assets of commercial banks declined by 3.6 percent (SAR 8.1 billion) to SAR 213.0 billion in Q1 2019 compared to a decrease of 0.2 percent (SAR 0.4 billion) during the preceding quarter.

They registered a y/y decline of 0.4 percent (SAR 0.8 billion), constituting 9.0 percent of commercial banks' total assets compared to 9.4 percent at the end of the preceding quarter. Commercial banks' total foreign liabilities went up by 16.3 percent (SAR 15.6 billion) to SAR 111.1 billion in Q1 2019 against an increase of 18.1 percent (SAR 14.6 billion) in the preceding quarter. They registered a y/y increase of 59.7 percent (SAR 41.5 billion), or 4.7 percent of total liabilities of commercial banks against 4.0 percent at the end of the preceding quarter. Commercial banks' net foreign assets went down by 18.8 percent (SAR 23.7 billion) to SAR 101.9 billion at end-Q1 2019 compared to a decrease of 10.7 percent (SAR 15.0 billion) during the preceding quarter. They recorded a y/y decline of 29.3 percent (SAR 42.3 billion) (Chart 5).

4.4 Commercial Banks' Claims on the Private and Public Sectors

Commercial banks' claims on the private and public (including government and quasi-government) sectors went up by 2.7 percent (SAR 48.4 billion) to SAR 1,835.3 billion in Q1 2019, compared to an increase of 0.01 percent (SAR 0.1 billion)





in the preceding quarter, recording a y/y rise of 6.5 percent (SAR 112.0 billion). The ratio of these claims to total bank deposits rose to 112.7 percent up from 107.6 percent at the end of the preceding quarter.

4.4.1 Commercial Banks' Claims on the Private Sector

Commercial banks' claims on the private sector increased by 1.0 percent (SAR 14.7 billion) to SAR 1,449.6 billion in Q1 2019, compared to a decline of 0.5 percent (SAR 6.8 billion) in the preceding quarter. The claims on the private sector registered an annual increase of 3.0 percent (SAR 42.2 billion). The ratio of these claims to total bank deposits went up to 89.0 percent at end-Q1 2019 compared to 86.4 percent at the end of the preceding quarter (Chart 6).

4.4.2 Commercial Banks' Claims on the Public Sector

Commercial banks' claims on the public sectors increased by 9.6 percent (SAR 33.6 billion) to SAR 385.7 billion in Q1 2019, compared to a rise of 2.0 percent (SAR 7.0 billion) in the preceding quarter. These claims registered a y/y increase of 22.1 percent (SAR 69.8 billion). The ratio of commercial banks' total claims on the public sector to total bank deposits increased to 23.7

percent at end-Q1 2019 from 21.2 percent at the end of the preceding quarter (Chart 6).

A breakdown of bank credit by maturity during Q1 2019 as compared to the previous quarter indicates that long-term credit rose by 0.5 percent (SAR 2.4 billion) to SAR 496.5 billion, compared to a decline of 0.1 percent (SAR 0.3 billion) in the preceding quarter. Medium-term credit, however, went up by 2.4 percent (SAR 5.5 billion) to SAR 230.2 billion, compared to a decline of 2.5 percent (SAR 5.9 billion) in the preceding quarter. Short-term credit also went up by 1.3 percent (SAR 9.1 billion) to SAR 716.2 billion compared to a rise of 0.3 percent (SAR 1.8 billion) in the preceding quarter (Chart 6).

4.4.3 Commercial Banks' Claims by Economic Activity

Total extended bank credit by economic activity increased by 1.2 percent (SAR 17.0 billion) to SAR 1,442.9 billion in Q1 2019, compared to a decline of 0.3 percent (SAR 4.3 billion) in the preceding quarter, recording a y/y increase of 3.6 percent (SAR 49.6 billion).

A breakdown of bank credit extended economic activities in Q1 2019 indicates increases in bank credit extended to electricity, water, gas and health services rose by 23.3 percent (SAR 12.0 Billion); to building and construction sector by 7.0 percent (SAR 6.8 Billion); to transport and telecommunication sector by 6.7 percent (SAR 2.9 Billion); to agriculture and fishing sector by 5.8 percent (SAR 0.9 Billion); to government and quasi-government sector by 5.4 percent (SAR 2.5 Billion); to the finance activity by 4.3 percent (SAR 1.6 Billion); to manufacturing and production sector by 1.6 percent (SAR 2.8 Billion); and to other sectors by 0.5 percent (SAR 3.2 billion). However, bank credit extended to sector

decreased by 5.3 percent (SAR 4.1 million), and to commerce sector by 4.0 percent (SAR 11.2 Billion); to mining and quarrying sector by 2.5 percent (SAR 0.5 billion).

4.5 Reserves, Capital, Profits and Branches of Commercial Banks

Capital and reserves of commercial banks increased by 15.4 percent (SAR 46.8 billion) to SAR 350.7 billion in Q1 2019, compared to an decrease of 4.7 percent (SAR 14.9 billion) in the preceding quarter, recording a y/y rise of 3.3 percent (SAR 11.1 billion). Their ratio to total bank deposits rose to 21.5 percent at end-Q1 2019 from 18.3 percent in the preceding quarter. Commercial banks' profits stood at SAR 13.9 billion in Q1 2019 compared to SAR 11.9 billion in the preceding quarter, denoting a rise of 16.6 percent (SAR 2.0 billion) compared to a q/q decrease of 3.9 percent (SAR 0.5 billion).

At end-Q1 2019, the number of commercial banks' branches operating in Saudi Arabia increased to 2,084 with one more branch over the preceding quarter, registering a y/y increase of 8 branches.

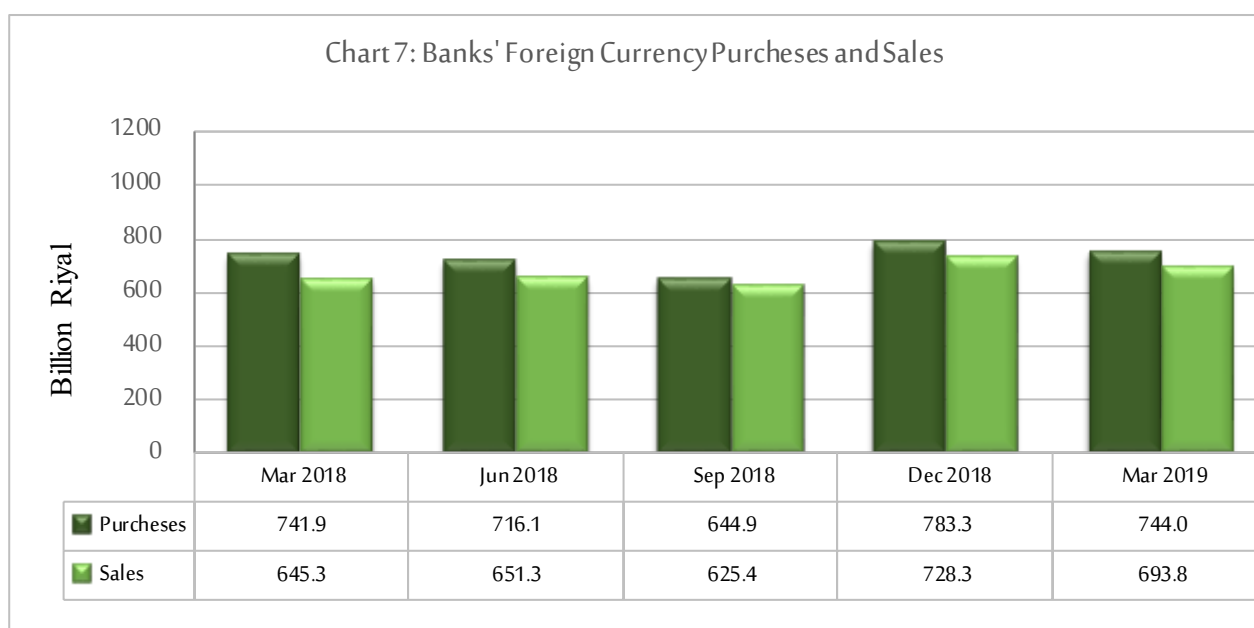
4.6 Commercial Banks' Purchases and Sales of Foreign Exchange

4.6.1 Commercial Banks' Purchases of Foreign Exchange

Commercial banks' total purchases of foreign exchange went down by 5.0 percent (SAR 39.3 billion) to SAR 744.0 billion in Q1 2019, compared to a q/q rise of 21.5 percent (SAR 138.4 billion), recording an annual increase of 0.3 percent (SAR 2.0 billion). A q/q comparison of banks' total purchases of foreign exchange shows that purchases from domestic banks increased by 7.3 percent (SAR 7.9 billion); purchases from customers by 3.6 percent (SAR 3.8 billion), while purchases from other sources declined by 38.3 percent (SAR 11.7 billion); purchases from SAMA by 13.3 percent (SAR 19.5 billion); and purchases from foreign banks by 5.1 percent (SAR 19.9 billion), (Chart 7).

4.6.2 Commercial Banks' Sales of Foreign Exchange

Commercial banks' total sales of foreign exchange went down by 4.7 percent (SAR 34.5 billion) to SAR 693.8 billion in Q1 2019, compared to a q/q rise of 16.5 percent (SAR 103.0 billion). They recorded a y/y rise of 7.5 percent (SAR 48.5 billion).



A q/q comparison of banks' total sales of foreign exchange indicates that sales to SAMA rose by 664.5 percent (SAR 3.1 billion), to banks inside Saudi Arabia by 10.8 percent (SAR 9.0 Billion) A q/q comparison of banks' total sales of foreign exchange indicates that sales to ministries and municipalities decreased by 77.4 percent (SAR 0.2 billion); to government entities by 15.3 percent (SAR 3.2 billion); to banks abroad by 7.9 percent (SAR 21.6 billion); to other customers in Saudi Arabia by 7.7 percent (SAR 19.9 billion); to other purposes (traveling abroad, personal transfers, and foreign contractors) by 1.9 percent (SAR 1.7 billion) (Chart 7).

Fifth: External Sector

Foreign Trade

Total exports value went up by 47.5 percent (SAR 289.5 billion) during Q3 2018 as compared to SAR 196.3 billion in the corresponding quarter of the previous year. Total value of oil exports rose by 54.6 percent to SAR 230.9 billion and other exports (including re-exports) by 25.0 percent to SAR 58.6 billion. Value of imports (CIF) recorded a y/y increase of 3.3 percent to SAR 127.9 billion in Q3 2018.

Balance of Payments

5.1 Current Account:

Preliminary estimates indicate a surplus of SAR 69.5 billion in the current account balance in Q4 2018 compared to a surplus of SAR 25.0 billion in Q4 2017. This is attributed to a surplus of SAR 98.1 billion in the balance of goods and services against a y/y surplus of SAR 51.9 billion. The balance of goods recorded a surplus of SAR 178.2 billion due to a rise in exported goods by 21.9 percent to SAR 290.8 billion compared to SAR 238.5 billion in the corresponding quarter of the previous year and due to a decrease in imported goods (FOB) by 4.3 percent to SAR 112.6 billion compared to

SAR 117.7 billion in the corresponding quarter of the preceding year, despite the rise in services deficit from SAR 69.0 billion in Q4 2017 to SAR 80.1 billion in Q4 2018. The surplus of the balance of primary income fell to SAR 4.4 Billion in Q4 2018 against SAR 9.8 billion in the corresponding quarter of previous year. The deficit in the secondary income balance fell by 9.7 percent to SAR 33.1 billion compared to SAR 36.6 billion in the corresponding quarter of the previous year.

5.2: Capital Account

Capital account registered outflows of SAR 2.2 billion in Q4 2018 against SAR 1.7 billion in the corresponding quarter of the previous year.

5.3: Financial Account

Net direct investments increased by SAR 46.9 billion in Q4 2018 due to net acquisition of financial assets abroad (SAR 50.0 billion) being higher than domestic net incurrence of liabilities (SAR 3.1 billion). Net portfolio investments rose by SAR 30.9 billion against a decrease of SAR 22.2 billion y/y. Net other investments rose by SAR 23.7 billion against a y/y increase of SAR 36.5 billion. Net reserve assets dropped by SAR 39.8 billion in Q4 2018 against a y/y rise of SAR 42.0 billion where other reserve assets fell by 40.3 billion (due to a decline in the item of investments in securities by SAR 6.5 billion and in currency and deposits item by SAR 33.9 billion) against a y/y rise of SAR 43.1 billion (due to an increase in currency and deposits item by SAR 13.9 billion and a rise in investments in securities by SAR 29.2 billion).

Sixth: Banking Technology Developments and Financial Inclusion:

6.1 Saudi Riyal Inter-bank Express System (SARIE)

In Q1 2019, the total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions went up by 5.1 percent (SAR 0.6 billion) to SAR 12,447.2 billion. The value of single payment transactions totaled SAR 11,767.9 billion, whereas the total value of bulk payment transactions amounted to SAR 669.2 billion. Total customer payments reached SAR 1,710.3 billion, with a q/q decline of 6.4 percent. The total value of inter-bank payments transactions stood at SAR 10,726.8 billion, with a q/q increase of 7.1 percent.

6.2 Mada

Total number of ATM transactions in Q1 2019 was approximately 532.9 million, with cash withdrawals totaling SAR 183.5 billion, including transactions through banks' network and Mada. Total point of sale (POS) terminal transactions were 326.1 million with sales totaling SAR 64 billion in Q1 2019. Moreover, the number of ATMs totaled 18.7 thousand and the number of ATM cards issued by domestic banks stood at 30.1 million at end-Q1 2019. The number of POS

terminals stood at 363.8 thousand at end-Q1 2019.

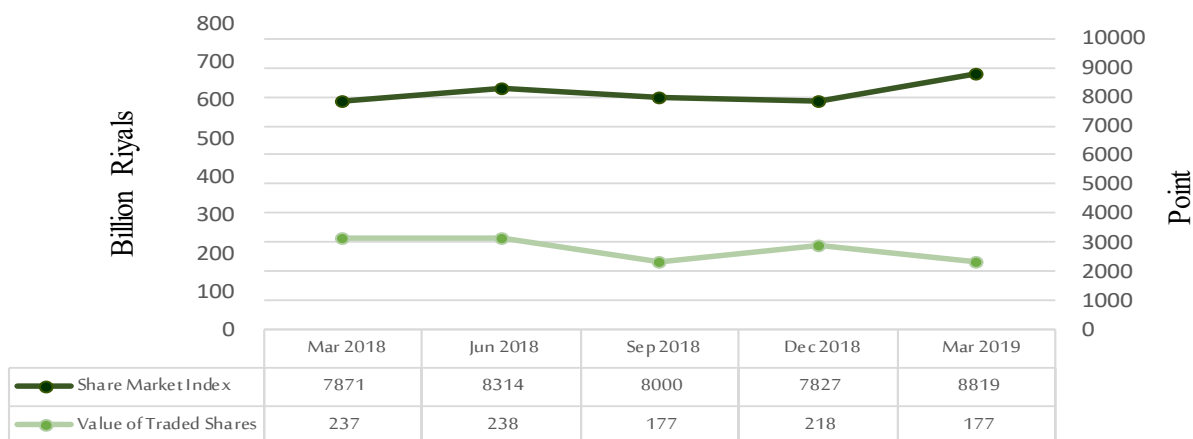
6.3 Clearing

As for statistics on clearing in Q1 2019, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 874 thousand with a total value of SAR 101.3 billion. The number of individual and corporate checks totaled 769 thousand with a total value of SAR 66.1 billion, and the number of interbank checks totaled 106 thousand with a total value of SAR 35.1 billion.

Seventh: Domestic Stock Market Developments

The Tadawul All Share Index (TASI) increased by 12.7 percent to 8,819 at end-Q1 2019 compared to a decrease of 2.2 percent in the preceding quarter, recording a y/y increase of 12.1 percent. The number of traded shares decreased by 16.1 percent to 7.6 billion in Q1 2019 compared to a q/q increase of 27.7 percent, recording a y/y decline of 30.9 percent. Total value of shares traded in Q1 2019 went down by 18.9 percent to SAR 177 billion compared

Chart 8: Share Market Index



Source: Tadawul and Capital Market Authority.

to a q/q increase of 23.0 percent, registering a y/y decline of 25.4 percent.

At end-Q1 2019, the stock market capitalization rose by 12.3 percent to SAR 2.1 billion against a decline of 2.1 percent at the end of the preceding quarter. The stock market capitalization registered a y/y increase of 11.6 percent. In Q1 2019, the total number of transactions executed decreased by 1.9 percent to 7.2 million compared to a q/q rise of 40.5 percent, recording a y/y increase of 13.9 percent (Chart 8).

Eighth: Investment Funds

Total assets of investment funds managed by investment companies recorded a q/q rise of 7.1 percent (SAR 7.9 billion) to SAR 119.8 billion in Q1 2019 compared to a decline of 5.1 percent (SAR 6.0 billion), recording a y/y decline of 0.3 percent (SAR 0.3 billion).

A breakdown of total investment funds shows that domestic assets went down by 11.3 percent (SAR 10.6 billion) to SAR 83.0 billion in Q1 2019 compared to a decline of 9.0 percent (SAR 9.3 billion) in the previous quarter. Domestic assets also registered a y/y decrease of 12.6 percent (SAR 11.9 billion). Foreign assets rose by 101.7 percent (SAR 18.5 billion) to SAR 36.7 billion in Q1 2019 against a rise of 22.2 percent (SAR 3.3 billion) in the preceding quarter, recording a y/y increase of 46.1 percent (SAR 11.6 billion).

The number of subscribers to investment funds rose by 7.2 percent (23.8 thousand subscribers) to 356.4 thousand in Q1 2019, compared to a rise of 1.7 percent (5.7 thousand subscribers) in the preceding quarter. The number of subscribers recorded a y/y increase of 20.1 percent (61.6 thousand subscribers). As for the number of operating funds, it increased by three funds to 252 in Q1 2019 compared to the preceding quarter.

Ninth: Specialized Credit Institutions (SCIs)

According to the latest available data on SCIs, the SCIs' total outstanding loans went up by 0.2 percent (SAR 0.35 billion) to SAR 230.7 billion in Q4 2018, compared to a decrease of 0.3 percent (SAR 0.7 billion) in the preceding quarter. They registered a y/y decline of 0.03 percent (SAR 6.2 billion) at end-Q4 2018. Total actual disbursements of loans rose by 29.1 percent (SAR 1.4 billion) in Q4 2018, compared to an increase of 113.1 percent (SAR 2.5 billion) in the preceding quarter, recording a y/y decline of 5.2 percent (SAR 0.3 billion). Total loan repayments to SCIs went up by 12.8 percent (SAR 0.7 billion) in Q4 2018 compared to a rise of 9.7 percent (SAR 0.5 billion) in the preceding quarter, registering a y/y decrease of 12.3 percent (SAR 0.8 billion). SCIs net credit recorded a surplus of SAR 84.0 million at end-Q4 2018, rising by 113.6 percent over the preceding quarter.

A breakdown of loans extended by SCIs in Q4 2018 indicates that the loans extended by the Real Estate Development Fund (REDF) increased by 237.9 percent (SAR 0.8 billion) compared to a decrease of 40.6 percent (SAR 0.24 billion) in the preceding quarter. Loans extended by the Social Development Bank (SDB) also rose by 25.2 percent (SAR 0.13 billion) in Q4 2018 against a decline of 16.7 percent (SAR 0.1 billion) in the preceding quarter. On the other hand, loans extended by the Saudi Industrial Development Fund increased by 11.1 percent (SAR 0.42 billion) compared to a q/q rise of 278.6 percent (SAR 2.8 billion). Loans extended by the Agricultural Development Fund (ADF) also increased by 47.3 percent (SAR 0.06 billion) compared to a q/q increase of 117.6 percent (SAR 0.06 million).

As for credit repayments in Q4 2018, the volume of repayments to the ADF went

down by 36.9 percent (SAR 0.12 billion) against a rise of 84.5 percent (SAR 0.2 billion) in the preceding quarter. However, repayments to the REDF increased by 18.7 percent (SAR 0.3 billion) compared to an increase of 8.9 percent (SAR 0.1 billion) in the preceding quarter; repayments to the SDB by 3.7 percent (SAR 0.08 billion) against a rise of 7.0 percent (SAR 0.1 billion) in the preceding quarter; and repayments to the SIDF by 33.6 percent (SAR 0.5 billion) against a rise of 4.2 percent (SAR 0.05 billion) in the preceding quarter.

Tenth: Supervisory and Legislative Banking Developments during Q1 2019

- SAMA has issued rules on ownership of properties within Makkah and Madinah's borders for banks and real estate finance companies.
- SAMA has directed all banks to follow a balanced approach to marketing finance products through all marketing channels, and avoid focusing only on consumer finance products.
- SAMA has required all banks to educate consumers about dealing in cash and the risks of carrying large sums of cash, in addition to encourage the use of electronic services.
- SAMA continued to increase maturity levels in the financial sector to face cyberchallenges, as it was decided to increase the maturity level of banks to 4.
- SAMA has decided to accept the client signing the last page of the bank account agreement only instead of signing all pages of the contracts and agreements.
- SAMA has issued instructions to all banks on calculating the ratio of liquidity reserves.
- SAMA has issued instructions to all

banks on calculating statutory deposits.

- SAMA has updated and required compliance with the instructions issued on SAIBOR within a period of 3 months as of 17/5/1440H.
- SAMA has approved the guidelines and operational rules for banks appointed as primary dealers in government securities that must be complied with.
- SAMA allowed bank branches located in or next to government buildings to change working hours according to certain controls.
- SAMA has excluded the expatriates holding prepaid cards and working for distressed companies from the freezing of bank accounts.
- SAMA has issued the Rules Regulating Agent Banking. The Rules include the regulatory framework and minimum requirements for the provision of banking services and products through banking agents to promote financial inclusion in Saudi Arabia and increase banking services outreach.
- SAMA has required banks and finance companies to report available credit information to Bayan Credit Bureau in a timely manner.
- SAMA has required reporting accounts with movements that do not match the incomes or salaries of accounts owners.
- SAMA has excluded bank clients traveling abroad from presenting national ID.
- SAMA has stressed compliance with Real Estate Finance Law and Finance lease Law provisions, Implementing Regulations, and Instructions.

Eleventh: Prominent Regulatory Developments in the Saudi Economy During Q1 2019

- The Council of Ministers approved the draft of Customs Cooperation Agreement between the Saudi Customs Authority and competent customs authorities in other countries for mutual recognition of the Authorized Economic Operator (AEO) programs.
- The Council of Ministers approved the accession of Saudi Arabia to a cooperation mechanism between tax administrations in the Belt and Road Initiative as a Monitor.
- The Council of Ministers granted Standard Chartered Bank a license to establish a branch in Saudi Arabia. The Council also authorized the Minister of Finance to decide on any subsequent requests to open other branches. The Bank shall carry out its banking business in accordance with the laws, regulations and instructions applicable in Saudi Arabia. SAMA shall coordinate with the bank to complete the necessary formalities.
- The Council of Ministers approved the establishment of a general authority for foreign trade with a corporate personality under the name of “General Authority for Foreign Trade”.
- The Council of Ministers confirmed that SAMA is the competent authority to operate, monitor and supervise payment and financial settlement

systems and services in Saudi Arabia and to issue rules, instructions and licenses in accordance with the standards applied by SAMA in this regard.

- The Council of Ministers approved the Implementing Regulations of the Law of Terrorism Crimes and Financing.
- The Council of Ministers approved the reformation of the Committees for Resolution of Insurance Disputes and Violations in Jeddah and Dammam for three years.
- The Council of Ministers approved the Competition Law.
- The Council of Ministers approved the organizational arrangements for the Local Content and Government Procurement Commission.
- The Council of Ministers decided to continue paying the Nature of Work Allowance by 20 percent of the first grade in the salary level for the Control and Investigation Authority employees engaged in control or investigation functions for 5 years as of 24/5/1440H, in accordance with the rules agreed upon between the Ministry of Civil Service and the Control and Investigation Authority.
- The Council of Ministers approved the regulation of the Support and Liquidation Center.



مُؤَسَّسَةُ النِّقْدِ الْعَرَبِيِّ السَّعُودِيِّ
Saudi Arabian Monetary Authority

