



مؤسسة النقد العربي السعودي  
Saudi Arabian Monetary Authority

Monetary and  
Banking  
Developments



**Third Quarter, 2017**

Research and International Affairs Deputyship  
Economic Research Department



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## Executive Summary

### Executive Summary

The repo rate remained unchanged at 2 percent and the reverse repo rate at 1.25 percent during the third quarter of 2017. The cash reserve ratio was maintained at 7 percent for demand deposits and at 4 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 billion during the third quarter of 2017. The average three-month Saudi interbank offered rate (SAIBOR) rose to 1.7912 percent in Q3 2017.

Broad money supply (M3) decreased by 2.5 percent and the monetary base by 4.3 percent to SAR 308.9 billion in Q3 2017. Preliminary data of SAMA's balance sheet indicate that total foreign assets fell by 3 percent to SAR 1,809.7 billion in Q3 2017. In addition, SAMA's total reserve assets decreased by 3.1 percent to SAR 1,819.6 billion in Q3 2017.

Total bank deposits decreased by 1.9 percent to SAR 1,603 billion in Q3 2017. Total assets and liabilities of commercial banks amounted to SAR 2,283.1 billion at end-Q3 2017, decreasing by 0.4 percent. However, commercial banks' claims on both the private and public sectors went up by 1.9 percent to SAR 1,697 billion in Q3 2017.

Preliminary estimates indicate a surplus of SAR 4.1 billion in the current account balance in Q2 2017 compared to a deficit of SAR 26.5 billion in the corresponding quarter of the previous year.

Total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions in Q3 2017 went down by 8.4 percent to SAR 14,636 billion. Total number of ATM transactions in Q3 2017 was approximately 491.8 million, with cash withdrawals totaling SAR 175.3 billion, including transactions through banks' network and Mada.

The general share price index went down by 1.9 percent to 7,283 points at end-Q3 2017. The market capitalization of shares fell by 2.4 percent to SAR 1,721 billion at end-Q3 2017 as compared to the end of the preceding quarter.

Total assets of investment funds managed by investment companies went up by 5.6 percent to SAR 110.4 billion in Q2 2017. According to latest available data, actual disbursements of loans from government Specialized Credit Institutions (SCIs) increased by 28.1 percent, and total loan repayments to SCIs also increased by 72.1 percent in Q4 2016.

## **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 Q3 2017, SAMA maintained the reverse repo rate unchanged at 1.25 percent and the repo rate at 2 percent.

SAMA's daily average repo transactions stood at SAR 129 million in Q3 2017 against SAR 44 million in Q2 2017, while daily average reverse repo transactions amounted to SAR 86 billion in Q3 2017 compared to SAR 97 billion in Q2 2017.

The cash reserve ratio was maintained at 7 percent for demand deposits and at 4 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 billion in Q3 2017. The three-month SAIBOR rose to 1.7912 percent in Q3 2017. The three-month interest rate differential between the riyal and the dollar was about 48 basis points in favor of the riyal in Q3 2017, compared to 54 basis points in Q2 2017. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of SAR 3.75.

Among the tools that contribute to stabilized liquidity, SAMA has continued to offer 90-day repo maturity in addition to the current overnight, 7- and 28-day maturities.

As regards foreign exchange swaps, SAMA did not make any swap transaction with domestic banks in Q3 2017.

## **Second: Monetary Developments**

### **2.1 Money Supply**

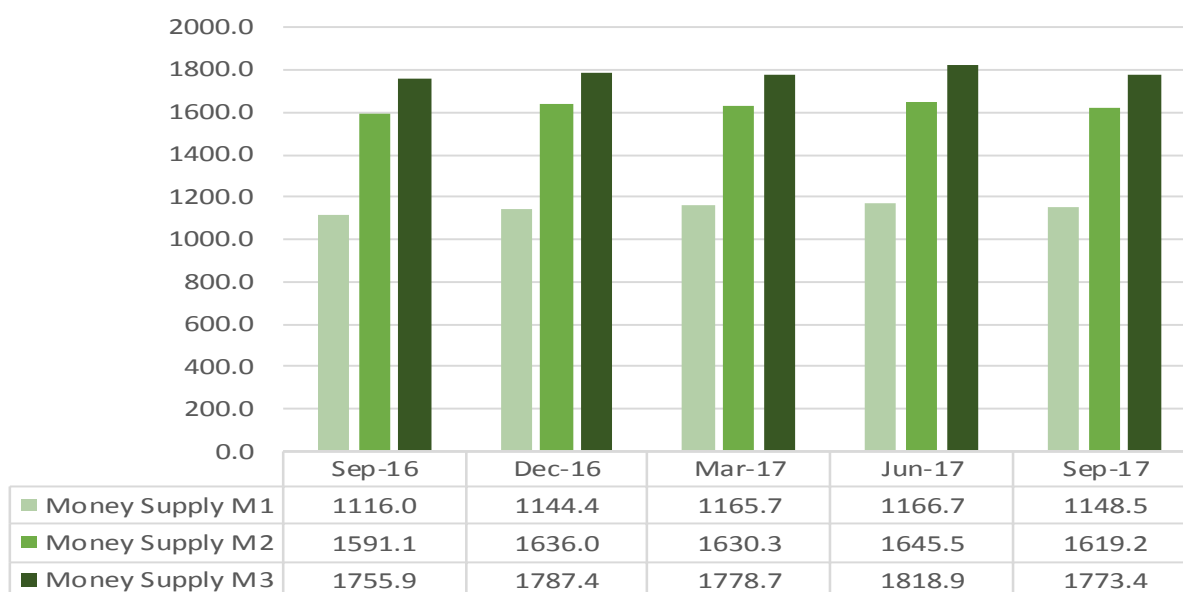
Broad money supply (M3) decreased by 2.5 percent (SAR 45.5 billion) to SAR 1,773 billion in Q3 2017, compared to an increase of 2.3 percent (SAR 40.2 billion) in the preceding quarter. It also recorded an annual growth rate of 1.0 percent (SAR 17.5 billion) in Q3 2017 (Chart 1).

A breakdown of the components of M3 in Q3 2017 indicates that narrow money supply (M1) declined by 1.6 percent (SAR 18.2 billion) to SAR 1,148.5 billion or 64.8 percent of M3, compared to a rise of 5.1 percent (SAR 995 million) in the preceding quarter. It also recorded an annual growth rate of 2.9 percent (SAR 32.5 billion) at end-Q3 2017. Moreover, money supply (M2) went down by 1.6 percent (SAR 26.3 billion) to SAR 1,619.2 billion or 91.3 percent of M3 in Q3 2017 against an increase of 5.9 percent (SAR 15.2 billion) in the preceding quarter. It also registered an annual rise of 1.8 percent (SAR 28.1 billion) at end-Q3 2017.

### **2.2 Monetary Base**

Monetary base fell by 4.3 percent (SAR 13.8 billion) to SAR 308.9 billion in Q3 2017 against an

Chart 1: Money Supply



increase of 6.6 percent (SAR 20 billion) in the preceding quarter. It also registered an annual rise of 1.5 percent (SAR 4.5 billion) at end-Q3 2017. A breakdown of the components of the monetary base indicates that currency in circulation decreased by 7.4 percent (SAR 13.7 billion) to SAR 170.6 billion in Q3 2017, compared to a rise of 8.6 percent (SAR 14.5 billion) in the preceding quarter. It registered an annual decline of 1.7 percent (SAR 2.9 billion) at end-Q3 2017. Deposits with SAMA increased by 6.4 percent (SAR 6.3 billion) to SAR 105.6 billion in Q3 2017, compared to a decrease of 3.6 percent (SAR 3.7 billion) in the preceding quarter. They recorded an annual increase of 9.2 percent (SAR 8.9 billion) at end-Q3 2017. Cash in vault decreased by 16.4 percent (SAR 6.4 billion) to SAR 32.7 billion, compared to a rise of 30.8 percent (SAR 9.2 billion) in the preceding quarter. It registered an annual decline of 4.4 percent (SAR 1.5 billion) at end-Q3 2017.

### **Third: Developments of SAMA's Balance Sheet**

Preliminary data of SAMA's balance sheet indicate that total foreign assets fell by 3 percent (SAR 58.5 billion) to SAR 1,809.7 billion in Q3 2017, compared to a decline of 1.6 percent (SAR 30.6 billion) in the preceding quarter. They registered an annual decline of 13 percent (SAR 259 billion) at end-Q3 2017. Total net foreign assets fell by 3.2 percent (SAR 58.6 billion) to SAR 1,791.2 billion in Q3 2017, compared to a decline of 1.6 percent (SAR 30.5 billion) in the preceding quarter. They registered

an annual decline of 12.6 percent (SAR 259 billion) at end-Q3 2017 (Chart 2).

Total deposits in domestic currency for foreign entities increased by 0.4 percent (SAR 67.9 million) to SAR 18.5 billion in Q3 2017, compared to a decrease of 0.5 percent (SAR 100 million) during the preceding quarter, recording an annual rise of 0.3 percent (SAR 56 million) at end-Q3 2017.

### **3.1 Reserve Assets**

SAMA's total reserve assets decreased by 3.1 percent (SAR 58.1 billion) to SAR 1,819.6 billion in Q3 2017, compared to a q/q decrease of 1.6 percent (SAR 30 billion). They recorded an annual decline of 12 percent (SAR 259 billion) at end-Q3 2017 (Chart 3). A breakdown of the components of total reserve

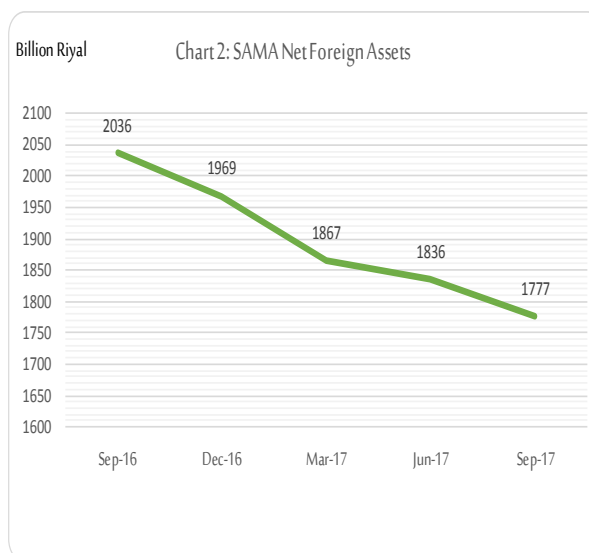
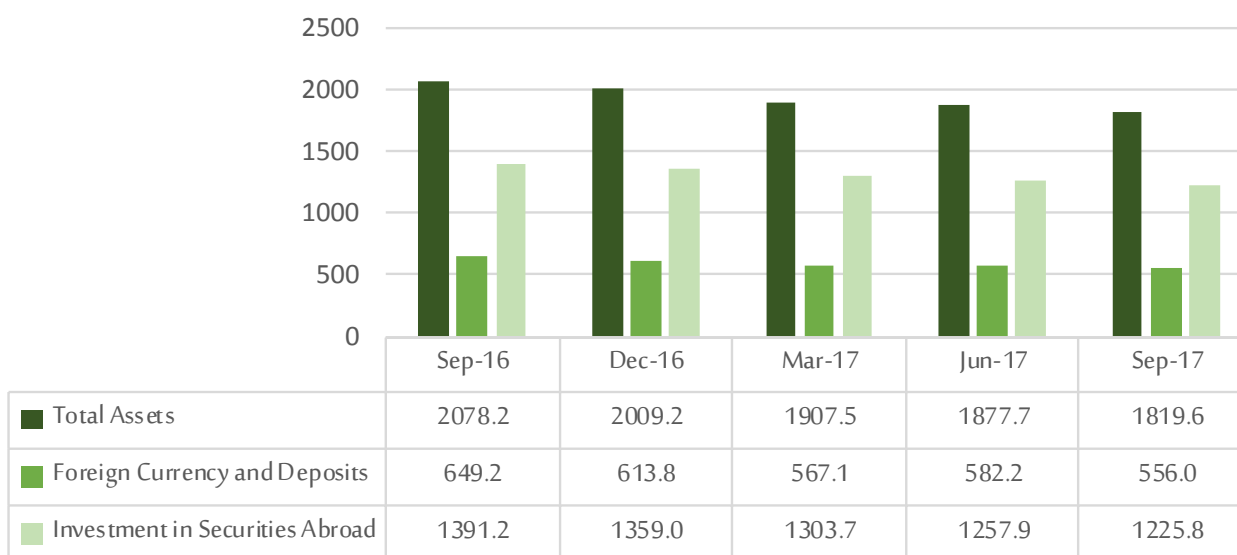


Chart 3: Reserve Assets



assets in Q3 2017 as compared to the preceding quarter indicates that the reserve position with the IMF dropped by 3.3 percent (SAR 241 million) to SAR 7.1 billion. Investments in securities abroad also went down by 2.6 percent (SAR 32.1 billion) to SAR 1,226 billion. The balance of special drawing rights increased by 1.6 percent (SAR 467 million) to SAR 29 billion. Deposits abroad decreased by 4.5 percent (SAR 26.2 billion) to SAR 556 billion, while gold reserve was stable at SAR 1,624 million. SAMA has not issued, on behalf of the Ministry of Finance, government development bonds or floating rate bonds during Q3 2017.

#### **Fourth: Banking Developments**

##### **4.1 Bank Deposits**

Total bank deposits decreased by 1.9 percent (SAR 31.8 billion) to SAR 1,603 billion in Q3 2017, compared to an increase of 1.6 percent (SAR 25.6 billion) in the preceding quarter. They also recorded an annual growth rate of 1.3 percent (SAR 20.4 billion) at end-Q3 2017 (Chart 4).

A breakdown of the components of deposits by type in Q3 2017 indicates that demand deposits went down by 0.5 percent (SAR 4.5 billion) to SAR 977.8 billion compared to a decrease of 1.4 percent (SAR 13.5 billion) during the preceding quarter, recording an annual increase of 3.8 percent (SAR 35.4 billion) at end-Q3 2017. Time and savings deposits declined by 1.7 percent (SAR 8.1 billion) to SAR 470.7 billion compared to an increase of 3.1 percent (SAR 14.2 billion) during the preceding quarter, recording an annual decline of 0.9 percent (SAR 4.4 billion). Other

quasi-monetary deposits decreased by 11.1 percent (SAR 19.2 billion) to SAR 154.2 billion compared to a rise of 16.8 percent (SAR 25 billion) during the preceding quarter, recording an annual decline of 6.5 percent (SAR 10.6 billion).

##### **4.2 Commercial Banks' Assets and Liabilities**

Total assets and liabilities of commercial banks reached SAR 2,283.1 billion at end-Q3 2017, decreasing by 0.4 percent (SAR 9.7 billion) compared to a q/q rise of 1.1 percent (SAR 25.4 billion). They also registered an annual rise of 1.5 percent (SAR 34 billion) at end-Q3 2017.

##### **4.3 Commercial Banks' Foreign Assets and Liabilities**

Total foreign assets of commercial banks rose by 1.6 percent (SAR 3.9 billion) to SAR 243 billion in Q3 2017 compared to an increase of 4.0 percent (SAR 9.2 billion) during the preceding quarter. They registered an annual decline of 2.4 percent (SAR 5.9 billion), constituting 10.6 percent of commercial banks' total assets compared to 10.4 percent at the end of the preceding quarter (Chart 5). Commercial banks' total foreign liabilities went up by 11 percent (SAR 8.6 billion) to SAR 87.2 billion in Q3 2017 against a decrease of 3.6 percent (SAR 2.9 billion) in the preceding quarter. They registered an annual decrease of 19.9 percent (SAR 21.7 billion), or 3.8 percent of total liabilities of commercial banks against 3.4 percent at the end of the preceding quarter. Commercial banks' net foreign assets went down by 2.9 percent (SAR 4.7 billion) to SAR 155.8 billion at end-Q3 2017 compared to an increase of 8.1 percent (SAR 12.1 billion) during the preceding quarter.

Chart 4: Bank Deposits by Type

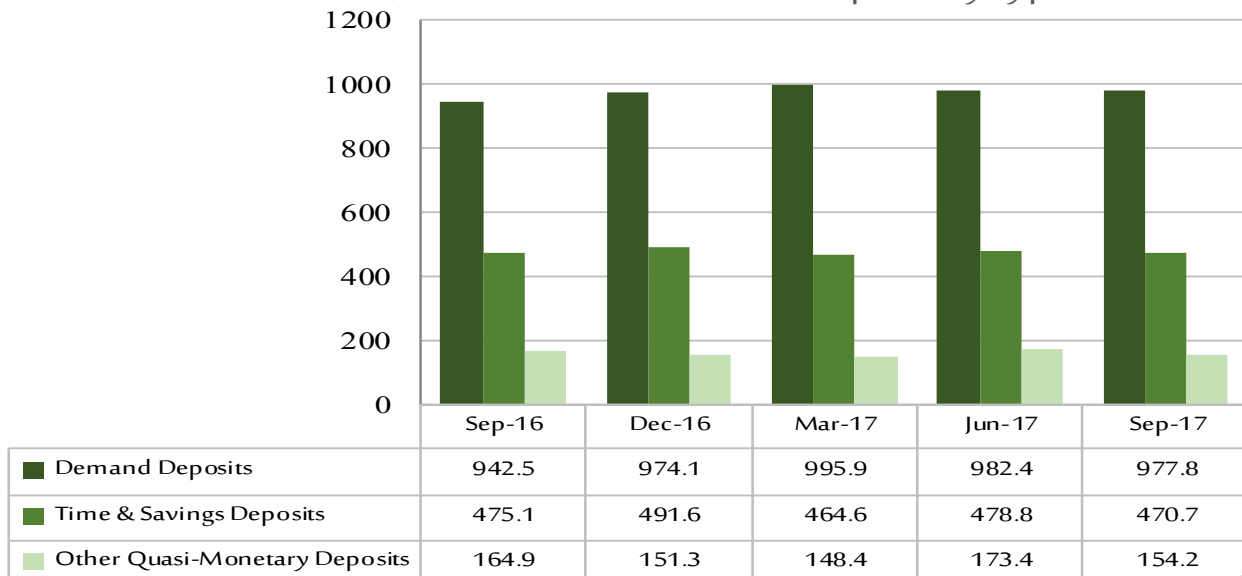
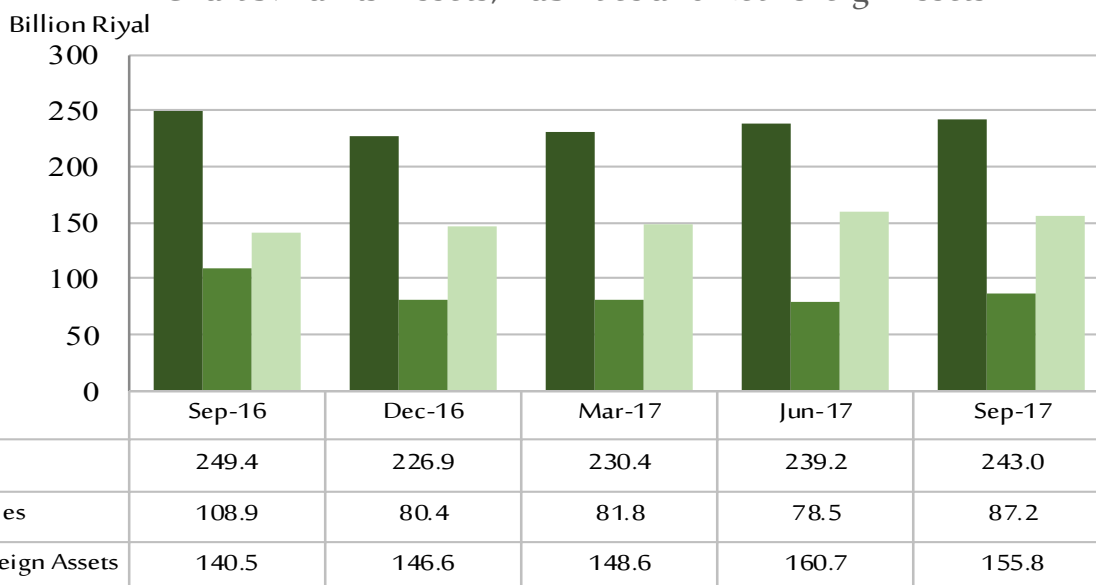






Chart 5: Banks' Assets, Liabilities and Net Foreign Assets



**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 1.9 percent (SAR 31.1 billion) to SAR 1,697 billion in Q3 2017, compared to an increase of 1.6 percent (SAR 26.5 billion) in the preceding quarter, recording an annual rise of 2.5 percent (SAR 41.3 billion) at end-Q3 2017. The ratio of these claims to total bank deposits rose to 105.9 percent up from 101.9 percent at the end of the preceding quarter.

**4.4.1 Commercial Banks' Claims on the Private Sector**

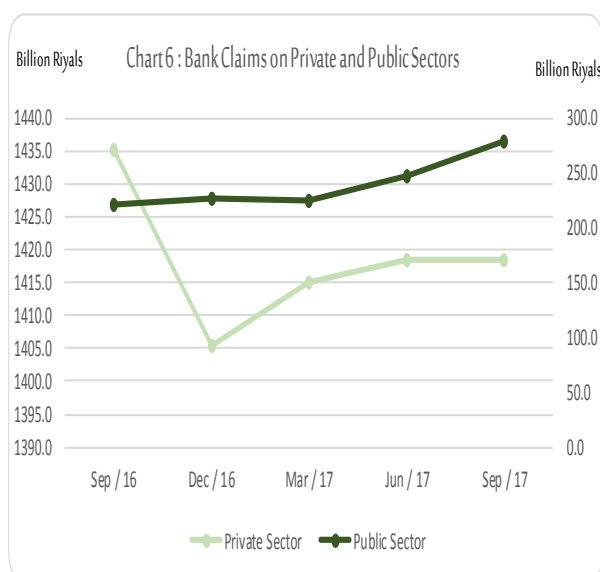
Commercial banks' claims on the private sector decreased by 0.01 percent (SAR 107.9 million) to SAR 1,418.4 billion in Q3 2017, compared to a rise of 0.3 percent (SAR 3.6 billion) in the preceding quarter. They registered an annual decrease of 1.2 percent (SAR 16.8 billion) at end-Q3 2017. The ratio of these claims to total bank deposits rose to 88.5 percent at end-Q3 2017 compared to 86.8 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 sector increased by 12.6 percent (SAR 31.2 billion) to SAR 278.5 billion in Q3 2017, compared to a rise of 10.2 percent (SAR 22.9 billion) in the preceding quarter, registering an annual increase of 26.3 percent (SAR 58.1 billion) at end-Q3 2017. The ratio of commercial banks' claims on the public sector to total bank deposits increased by 17.4 percent at end-Q3 2017

compared to 15.1 percent at the end of the preceding quarter (Chart 6).

A breakdown of bank credit by maturity during Q3 2017 as compared to the previous quarter indicates that long-term credit decreased by 4.4 percent (SAR 19.9 billion) to SAR 427.7 billion, compared to a rise of 1.2 percent (SAR 5.5 billion) in the preceding quarter. Medium-term credit, however, went up by 1.7 percent (SAR 4.3 billion) to SAR 257.2 billion, compared to a fall of 3.7 percent (SAR 9.8 billion) in the preceding quarter. Short-term credit went up as well by 1.8 percent (SAR 12.6 billion) to SAR 723.6 billion compared to an increase of 1.4 percent (SAR 9.5 billion) in the preceding quarter.



#### **4.4.3 Commercial Banks' Claims by Economic Activity**

The total bank credit extended by economic activity decreased by 0.2 percent (SAR 3 billion) to SAR 1,408.5 billion in Q3 2017 compared to a rise of 0.4 percent (SAR 5.2 billion) in the preceding quarter, recording an annual decline of 1.5 percent (SAR 21.1 billion) at end-Q3 2017. A breakdown of bank credit extended to economic activities in Q3 2017 indicates increases in bank credit extended to transport and telecommunication by 6.8 percent (SAR 3.2 billion); to finance by 4.4 percent (SAR 1.4 billion); to agriculture and fishing by 4.3 percent (SAR 0.6 billion); to water, electricity, gas and health services by 3.7 percent (SAR 1.7 billion); to commerce by 3.1 percent (SAR 9.6 billion); and to building and construction by 2.4 percent (SAR 2.4 billion). On the other hand, bank credit extended to mining and quarrying declined by 10.8 percent (SAR 1.8 billion), to manufacturing and production by 2.8 percent (SAR 4.9 billion), to other sectors by 2.7 percent (SAR 14.9 billion), to government and quasi-government sector by 0.6 percent (SAR 0.3 billion), and to services by 0.2 percent (SAR 149 million).

#### **4.5 Commercial Banks' Reserves, Capital, Profits and Branches**

Capital and reserves of commercial banks decreased by 2.3 percent (SAR 7.4 billion) to SAR 316.9 billion in Q3 2017, compared to a decrease of 2.6 percent (SAR 8.5 billion) in the preceding quarter. Their ratio to total bank deposits stood unchanged at 19.8 percent at end-Q3 2017. The annual growth rate of commercial banks' capital and reserves went up by 6.7 percent (SAR 19.9 billion) in Q3 2017. Commercial banks' profits reached SAR 11.2 billion in Q3 2017 compared to SAR 11 billion in the preceding quarter, denoting a rise of 1.7 percent (SAR 182.2 million). They registered a y/y increase of 14.3 percent (SAR 1.4 billion).

At the end of the third quarter of 2017, the number of commercial banks' branches operating in Saudi Arabia stood at 2,050 with a q/q increase of 6, registering a y/y increase of 2.1 percent (43 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 1.2 percent (SAR 8.2 billion) to SAR 690.4 billion in Q3 2017, compared to a q/q decline of 15.1 percent (SAR 124.5 billion). They also recorded a y/y rise of 1.2 percent (SAR 8.2 billion). A q/q comparison of banks' total purchases of foreign

exchange shows that purchases from domestic banks increased by 11.6 percent (SAR 12.5 billion), from customers by 6.1 percent (SAR 5.4 billion), and from foreign banks by 6.6 percent (SAR 20 billion) while purchases from other sources decreased by 24.5 percent (SAR 13.4 billion) and from SAMA by 22.9 percent (SAR 36.2 billion) (Chart 7).

##### **4.6.2 Commercial Banks' Sales of Foreign Exchange**

Commercial banks' total sales of foreign exchange rose by 2.5 percent (SAR 17.1 billion) to SAR 692.7 billion in Q3 2017, compared to a q/q decrease of 12.1 percent (SAR 93.1 billion). They recorded a y/y rise of 20.5 percent (SAR 117.8 billion). A q/q comparison of banks' total sales of foreign exchange indicates that sales to government entities declined by 24.2 percent (SAR 3.5 billion), to other purposes by 7.7 percent (SAR 7.1 billion), and to other customers in Saudi Arabia by 5.3 percent (SAR 11 billion). However, no sales to money changers were recorded in Q3 2017. In contrast, sales to ministries and municipalities increased by 42.2 percent (SAR 16.4 million), to banks inside Saudi Arabia by 33.3 percent (SAR 23.9 billion), to SAMA by 43.2 percent (SAR 0.23 billion), and to banks abroad by 5.4 percent (SAR 15.5 billion) (Chart 7).

#### **Fifth: External Sector Foreign Trade**

Value of imports (CIF) recorded a y/y decrease of 14.6 percent to SAR 119.2 billion in Q2 2017. It registered a decrease of 5 percent compared to Q1 2016.

#### **Balance of Payments**

##### **5.1 Current Account**

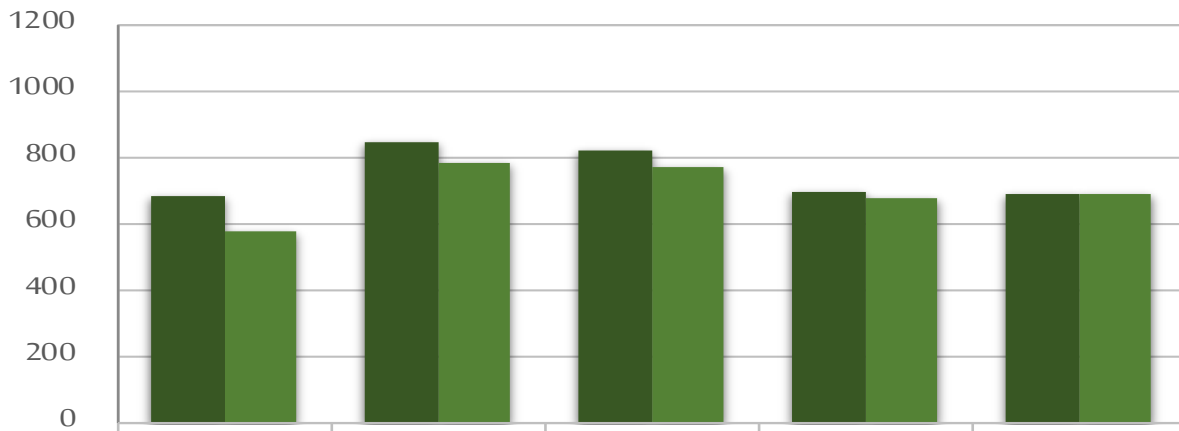
Preliminary estimates indicate a surplus of SAR 4.1 billion in the current account balance in Q2 2017 compared to a deficit of SAR 26.5 billion in the corresponding quarter of the previous year. This is attributed to a surplus of SAR 21.2 billion in the balance of goods and services against a y/y deficit of SAR 3.4 billion due to the rise in exported goods by 5.6 percent to SAR 185.9 billion compared to SAR 175.9 billion in the corresponding quarter of the previous year; the drop in imported goods (FOB) by 14.2 percent to SAR 109.3 billion compared to SAR 127.4 billion in the corresponding quarter of the preceding year; and the decline of services deficit by 6.3 percent to SAR 55.3 billion compared to SAR 52 billion in the corresponding quarter of the preceding year. The surplus of the





Billion Riyals

Chart 7: Banks' Foreign Currency Purchases and Sales



■ Purchases	682.2	844.6	823.1	698.6	690.4
■ Sales	574.9	783.7	768.6	675.6	692.7

Sep-16

Dec-16

Mar-17

Jun-17

Sep-17

balance of primary income decreased by 8.6 percent to SAR 16.3 billion compared to the corresponding quarter of the previous year. In addition, the deficit in the secondary income balance fell by 18.2 percent to SAR 33.4 billion compared to the corresponding quarter of the previous year.

### 5.2 Capital Account

Capital account registered outflows of SAR 1.13 billion in Q2 2017 against SAR 1.14 billion in the corresponding quarter of the previous year.

### 5.3 Financial Account

Net direct investments rose by SAR 4 billion in Q2 2017 due to an increase in net acquisition of financial assets abroad by SAR 10.6 billion over the increase of domestic net incurrence of liabilities estimated at SAR 6.6 billion. Net portfolio investments recorded a decrease of SAR 41.8 billion against an increase of SAR 3.3 billion y/y. Net other investments rose by SAR 19.8 billion against a decrease of SAR 38.6 billion y/y. Net reserve assets decreased by SAR 34.8 billion in Q2 2017 against a y/y decrease of SAR 62.9 billion, owing to a decrease in other reserve assets by SAR 35.7 billion due to the decline in the item of investment in securities by SAR 50.8 billion.

## Sixth: Banking Technology Developments and Financial Inclusion:

### 6.1 Saudi Riyal Inter-bank Express System

Statistics of the Saudi Riyal Inter-bank Express System (SARIE) show that total value of its transactions in Q3 2017 went down by 8.4 percent (SAR 1,348.9 billion) to SAR 14,636 billion. The

value of single payment transactions totaled SAR 14,109.6 billion, whereas the total value of bulk payment transactions amounted to SAR 521.8 billion. Total customer payments reached SAR 1,458 billion with a q/q rise of 1.1 percent. The total value of inter-bank payments stood at SAR 13,173.4 billion with a q/q decline of 9.3 percent.

### 6.2 Mada

Total number of ATM transactions in Q3 2017 was approximately 491.8 million with cash withdrawals totaling SAR 175.3 billion, including transactions through banks' network and Mada. Total point of sale (POS) terminal transactions were 173.4 million with sales totaling SAR 47.3 billion in Q3 2017. The number of ATMs totaled 18.2 thousand and the number of ATM cards issued by domestic banks stood at 28 million at end-Q3 2017. The number of POS terminals reached 294 thousand at end-Q3 2017.

### 6.3 Clearing

As for statistics on clearing in Q3 2017, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 1 million with a total value of SAR 104.3 billion. The number of individual and corporate checks totaled 938 million with a total value of SAR 76.7 billion, and the number of certified checks totaled 108 thousand with a total value of SAR 27.5 billion.

### Seventh: Domestic Stock Market Developments

The general share price index went down by 1.9 percent to 7,283 points at end-Q3 2017 compared to an increase of 6.1 percent in the



preceding quarter, recording an annual rise of 29.5 percent. The number of traded shares decreased by 25.9 percent to 7.8 billion in Q3 2017 compared to a q/q decrease of 22.2 percent, recording a y/y fall of 20.9 percent. Total value of shares traded in Q3 2017 decreased by 7.5 percent to SAR 170.9 billion compared to a q/q decrease of 26.6 percent, recording a y/y increase of 1.0 percent.

At the end of the third quarter of 2017, the market capitalization of shares went down by 2.4 percent to SAR 1,721 billion against a rise of 7.7 percent at the end of the preceding quarter. The market capitalization of shares recorded an annual increase of 29.9 percent compared to end-Q3 2016. Total number of transactions in Q3 2017 increased by 10.5 percent to 4.7 million compared to a q/q decline of 38.3 percent, recording a y/y increase of 14.5 percent (Chart 8).

#### **Eighth: Investment Funds**

Total assets of investment funds managed by investment companies rose by 5.6 percent (SAR 5.9 billion) to SAR 110.4 billion in Q2 2017 compared to a rise of 19 percent (SAR 16.7 billion) in the preceding quarter, recording a y/y increase of 23.8 percent (SAR 21.2 billion).

A breakdown of total assets of investment funds shows that domestic assets went up by 3.7 percent (SAR 3.1 billion) to SAR 86.1 billion in Q2 2017 compared to a rise of 6 percent (SAR 4 billion) in the previous quarter. Domestic assets also

registered a y/y increase of 22.9 percent (SAR 16.1 billion). Foreign assets rose by 13 percent (SAR 2.8 billion) to SAR 24.3 billion in Q2 2017 against a rise of 25 percent (SAR 4.3 billion) in the preceding quarter, recording a y/y increase of 27 percent (SAR 5.2 billion).

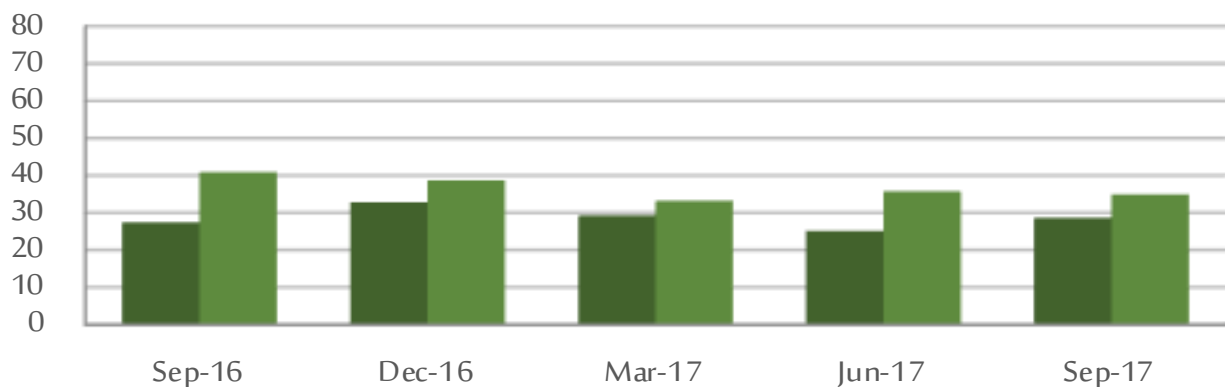
The number of subscribers to investment funds rose by 2.4 percent (5,271 subscribers) to 229.5 thousand in Q2 2017, compared to a decline of 0.1 percent (167 subscribers) in the preceding quarter. The number of subscribers recorded a y/y increase of 0.5 percent (1,195 subscribers). As for the number of operating funds, it stood unchanged at (275) as is in the preceding quarter.

#### **Ninth: Specialized Credit Institutions (SCIs)**

According to the latest available data on SCIs, the SCIs' total outstanding loans went up by 0.6 percent (SAR 1.8 billion) to SAR 302.4 billion in Q4 2016, compared to an increase of 0.9 percent (SAR 2.7 billion) in the preceding quarter. They registered an annual rise of 0.2 percent (SAR 644 million) at end-Q4 2016. Total actual disbursements of loans rose by 28.1 percent (SAR 2 billion) in Q4 2016 compared to a decrease of 9.2 percent (SAR 0.7 billion) in the preceding quarter, recording an annual decline of 45.2 percent. Total loan repayments to SCIs went up by 72.1 percent (SAR 3.1 billion) in Q4 2016 compared to a decline of 46.1 percent (SAR 3.7 billion) in the preceding quarter, registering an annual decrease of 21.9

Billion Riyals

Chart 8: Private Sector's Imports Financed by Banks



	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
■ New Open Letters of Credit	27.4	32.8	29.3	25.1	28.6
■ Settled Letters of Credit and Bills for Collection	40.9	38.7	33.2	35.7	34.9

percent. SCIs' net credit recorded a decline of 39.8 percent (SAR 1.1 billion) in Q4 2016, compared to a rise of 1.612 percent (SAR 3 billion) in the previous quarter, registering an annual decline of 76 percent.

A breakdown of loans extended by SCIs in Q4 2016 indicates that the loans extended by the Saudi Industrial Development Fund (SIDF) increased by 74 percent (SAR 1 billion) compared to an increase of 44.0 percent (SAR 418 million) in the preceding quarter. Loans extended by the Real Estate Development Fund (REDF) also rose by 43.4 percent (SAR 834 million) in Q4 2016 against a decline of 50.4 percent (SAR 1.9 million) in the preceding quarter. Further, loans extended by the Agriculture Development Fund (ADF) increased by 84.3 percent (SAR 71.7 million) compared to a decline of 73 percent (SAR 227 million) in the preceding quarter. On the other hand, loans extended by the Public Investment Fund (PIF) decreased by 19.6 percent (SAR 469 million) compared to a rise of 167.8 percent (SAR 1.5 billion) in the previous quarter, whereas those extended by the Social Development Bank (SDB) rose by 41.5 percent (SAR 531 million) compared to a decrease of 26 percent (SAR 452 million) in the preceding quarter. Repayments to the PIF increased by 356 percent (SAR 909 million) in Q4 2016 compared to a decline of 82.4 percent (SAR 1.2 billion) in the preceding quarter; repayments to the SDB by 41.4 percent (SAR 931 million) against a decline of 12.7 percent (SAR 328 million) in the preceding quarter; repayments to the SIDF by 67.5 percent (SAR 486 million) compared to a decline of 52.8 percent (SAR 806 million) in the preceding quarter; repayments to the REDF by 76 percent (SAR 723 million) compared to a decline of 30.6 percent (SAR 418 million) in the preceding quarter; and repayments to the ADF by 34.5 percent (SAR 37.3 million) against a decrease of 89.4 percent (SAR 917 million) in the preceding quarter.

#### **Tenth: Supervisory and Legislative Banking Developments During the Third Quarter of 2017**

- SAMA has developed Guidance on “the Internal Liquidity Adequacy Assessment Process”, which includes information about liquidity risks, stress-testing results and contingency funding plan.
- Updating the annex (about correspondent banking) to the guidelines on Sound Management of Risks Related to Money Laundering and Financing of Terrorism.
- The Basel Committee on Banking Supervision (BCBS), in cooperation with the International Organization of Securities Commissions (IOSCO), has released two consultative documents on the identification and treatment of short-term

securitizations.

- SAMA issued circular No. 381000122205 on 19/12/1438H entitled “Guidelines on Handling Bank Processes”. It specifies, in particular, the time periods for processing transactions, the departments and units responsible for handling bank transactions processing, mechanisms applied for such transactions, and the verification of compliance with instructions related to enforcement requests regarding customers' accounts.
- SAMA has set minimum licensing requirements before licensing requests to open and operate a foreign bank branch in Saudi Arabia can be considered. The requirements were published on SAMA's website on 22/8/2017.
- Granting approval on 19/9/2017 to the National Bank of Kuwait to open two more branches in Saudi Arabia (in Riyadh and Dammam each).

#### **Eleventh: Prominent Regulatory Developments in the Saudi Economy During the Third Quarter of 2017**

- Approving the establishment of an industrial city, the Industrial Energy City, in the Eastern Region.
- Establishing a new authoritative body, the Presidency of State Security, with reporting relationship to the Prime Minister.
- Establishing of a royal commission in the governorate of Al-Ula.
- Approving the launch of a national project entitled, “the Saudi National Atomic Energy Project”, in Saudi Arabia.
- Approving the statute of the GCC Economic Judicial Commission.
- Approving the regulation of the Alimony Fund.
- Granting the Saudi Arabian General Investment Authority (SAGIA) permission to take necessary measures in order to license foreign engineering services and consultancy companies to invest in Saudi Arabia with a 100% foreign ownership.
- Approving the accession of the Capital Market Authority (CMA) to the Islamic Financial Services Board (IFSB) as a full member, pursuant to IFSB's regulations.
- Approving the establishment of the General Authority for Military Industries.
- Approving the deposit of amounts allocated for initiatives of partnership with the private sector in the budget of the Ministry of Housing.
- Approving the amendments to the Income Tax Law.