



Circular No.: BCS 378
Date: 24 May, 2007

From : Saudi Arabian Monetary Agency

To : All Banks

Attention : Managing Directors, Chief Executive Officers and General Managers

Subject : **Basel II – Pillar 3 Disclosure Requirements and Guidance Notes**

This refers to the Pillar 3 component of the Basel II Capital Adequacy framework, where the objective is to encourage market discipline through prescribed disclosure requirements. Such disclosures allow market participants to assess key information relating to a bank's capital adequacy, risk exposures and risk management processes.

In this regard, in 2005, SAMA had appointed the Chief Financial Officers' (CFO's) Committee to undertake a project on Pillar 3 Disclosure and Guidance document. The objective of this project was to review and identify Pillar 3 requirements relevant to Banks operating in Saudi Arabia taking into consideration the Saudi banking environment and the existing accounting and disclosure practices. In March 2007, the CFO Committee submitted to SAMA a Draft document for the Agency's review. The Agency is now forwarding this to the Banks comprising of the Disclosure Requirements and related Guidance Notes. The Document remains substantially unchanged from the recommendations submitted by the Banks. As the CFO's Committee has been involved in this project over the last two years, banks should have commenced their work on the implementation of Pillar 3.

All Banks are to meet these requirements from 1 January 2008. Further, banks must confirm in writing by 31 May 2007 that they will meet the disclosure requirements for Standardized Approach. Subsequent to this confirmation, the Agency will follow-up with the Banks on a case by case basis.

This document also includes guidance on disclosure requirements for the IRB Approaches. Banks moving towards the implementation of Foundation and Advanced IRB approaches will also plan the implementation of the relevant sections of Pillar 3 – guidance in the same time frame.



If banks have specific comments, questions, and suggestions on the Pillar 3 Disclosure Requirements and Guidance Notes, these should be forwarded to SAMA so that clarifications can be provided.

If you require further clarifications, please call Mr. Tariq Javed (01-466-2532) or Mr. Abbas Hassan (01-466-2526)

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Encl.: a/s