



Circular No.: 14522/BCS 7390
Date: 8 February 2012

From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers and
General Managers
Subject : **SAMA's Prudential Returns Concerning the Monitoring of
Basel III Liquidity Risk through the Minimum Regulatory
Liquidity Standard Ratios**

A major initiative announced by the Basle Committee in its Basel III reform package issued in December 2010 relates to Minimum Liquidity Ratios Standards to strengthen global liquidity regulations with the goal of promoting a more resilient banking sector. The objective of these reforms is to improve the banking sector's ability to absorb shocks arising from financial and economic stress.

Consequently, the Basle Committee has introduced two *minimum* standards for liquidity. In this regard, the Committee has developed the Liquidity Coverage Ratio (LCR) that will ensure short-term resilience of a bank over 30 days and the Net Stable Funding Ratio (NSFR) that will ensure a time horizon of one year. Furthermore, the BCBS requires the monitoring of these ratios to commence from January 1, 2012, however the LCR and NSFR will be fine tuned into final Regulatory Standards in 2015 and 2018 respectively.

The Agency is now circulating its Guidance Notes and Prudential Returns on the LCR and NSFR in the attached package of SAMA's Prudential Returns. The Basle agreed monitoring period for the LCR and NSFR commences on 1st January 2012. Consequently, all Banks (except foreign bank's branches) will be expected to provide these returns to SAMA on a quarterly basis from quarter ending 31 March 2012 within 30 days of the end of each quarter.

SAMA will continue to amend these Guidance Notes and Prudential Returns as further refinements are received from the BCBS during the monitoring period until the time when the LCR and NSFR are finalized as regulatory ratio in 2015 and 2018 respectively.

If you need further clarifications, please contact Mr. Tariq Javed at 01-466-2524, e-mail: tjaved@sama.gov.sa or Mr. Abbas Hassan at 01-466-2526, e-mail: ahassan@sama.org.sa.

Abdulrahman A. Al-Kalaf
*Deputy Governor
for Technical Affairs*