

Saudi Arabian Monetary Agency

Banking Supervision Dept.

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2 August 2011

From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers and General Managers
Subject : **FSB releases consultation documents on measures to address systemically important financial institutions**

The Financial Stability Board (FSB) and the Basel Committee on Banking Supervision have launched a public consultation on two documents that set out proposed measures to address the systemic and moral hazard risks posed by systemically important financial institutions (SIFIs). The measures implement the framework contained in the FSB's recommendations endorsed by the G20 Leaders in November 2010.

The consultative document on **Effective Resolution of Systemically Important Financial Institutions** sets out a comprehensive package of proposed policy measures to improve the capacity of authorities to resolve failing SIFIs without systemic disruption and without exposing the taxpayer to the risk of loss. To help inform its final resolution related recommendations, the FSB is also releasing two discussion notes for comments. A note on **Creditor hierarchy, depositor preference and depositor protection in resolution** seeks views on the impact on effective resolution of differences in the ranking of creditors' claims, in particular in the treatment of deposit claims. Another note on **Conditions for imposing temporary stays** discusses the possible conditions under which a temporary suspension of contractual early termination rights should apply to support the implementation of certain resolution tools.

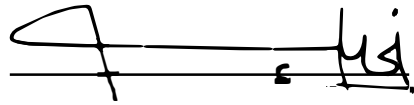
The second consultative document on **Global Systemically Important Banks: Assessment Methodology and the Additional Loss Absorbency Requirements** sets out a methodology for assessing the global systemic importance of banks, the magnitude of added loss absorbency that globally systemic banks should have, and the proposed arrangements by which these requirements will be phased in. This document was prepared by the Basel Committee on Banking Supervision, in close cooperation with the FSB.

The two consultation documents form part of the broader FSB policy framework for SIFIs which also includes more intensive and effective supervisory oversight and improvements in financial market infrastructures to reduce contagion risks. The FSB, in cooperation with the international standard setting bodies, will carry out further work to address global systemically important insurers, domestic systemically important banks, other systemic financial firms and financial market infrastructure. All these aforementioned documents are available on the Financial Stability Board website address: (<http://www.financialstabilityboard.org>).

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SAMA's objective in circulating these consultative documents is to encourage Saudi Banks to review the proposals contained in these documents and to provide comments.



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