

2019

# Monetary and Banking Developments

Second Quarter, 2019



Research and International Affairs Deputyship

Economic Research Department



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## Executive Summary

In the second 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 continued to maintain the limit of weekly subscription in SAMA bills for domestic banks at SAR 3.0 billion. The three-month Saudi interbank offered rate (SIBOR) declined to 2.82 percent.

Money supply (M3) and monetary base increased by 3.0 percent and 1.75 percent, respectively. Preliminary data of SAMA's balance sheet indicates that total foreign assets rose by 2.7 percent to SAR 1,913.8 billion. SAMA's total reserve assets also recorded an increase of 2.7 percent (SAR 50.0 billion) to SAR 1,923.3 billion.

Total bank deposits increased by 3.0 percent to SAR 1,677.6 billion. Total assets and liabilities of commercial banks amounted to SAR 2,433.4 billion at end-Q2 2019, increasing by 3.0 percent.

Commercial banks' claims on the private and public sectors rose by 1.6 percent to SAR 1,865.0 billion. Preliminary estimates

indicate a surplus of SAR 43.2 billion in the current account balance compared to a y/y surplus of SAR 34.9 billion.

The total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions declined by 14.7 percent (SAR 1,831.5 billion) to SAR 10,615.7 billion. Total number of ATM transactions stood at 529.3 million with cash withdrawals totaling SAR 189.3 billion, including transactions through banks' network and mada. Tadawul All Share Index (TASI) increased by 0.03 percent to 8,822 at end-Q2 2019.

Total assets of investment funds managed by investment companies in Q1 2019 increased by 7.1 percent (SAR 7.9 billion) to SAR 119.8 billion. According to latest available data on the specialized credit institutions (SCIs), total actual disbursements of loans in Q1 2019 fell by 36.2 percent (SAR 2.2 billion) and total loan repayments dropped by 25.3 percent (SAR 1.5 billion).

## **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 Q2 2019, SAMA decided to keep the reverse repo rate at 2.50 percent and the repo rate at 3 percent.

SAMA's average daily repo transactions stood at SAR 1.02 billion against SAR 33.7 million in Q1. Average daily reverse repo transactions stood at SAR 47.5 billion compared to SAR 63.6 billion in Q1.

The cash reserve ratio was maintained at 7.0 percent for demand deposits and 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 in SAMA bills for domestic banks at SAR 3.0 billion. The three-month Saudi interbank offered rate (SIBOR) declined to 2.82 percent. The three-month interest rate differential between the riyal and the dollar was about 32 basis points in favor of the riyal, compared to 24 basis points in Q1. 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.

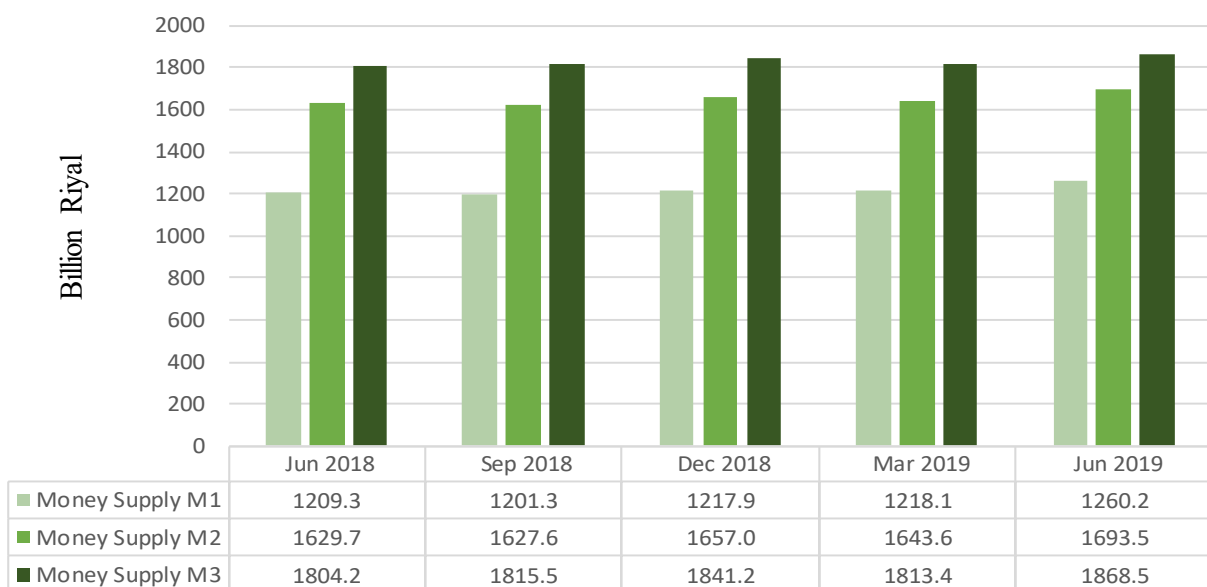
## **Second: Monetary Developments**

### **2.1 Money Supply**

Money supply (M3) increased by 3.0 percent (SAR 55.0 billion) to SAR 1,868.5 billion, compared to an increase of 1.5 percent (SAR 27.8 billion) in Q1, recording a y/y annual rise of 3.6 percent (SAR 64.2 billion) (Chart 1).

A breakdown of the components of M3 indicates that narrow money supply (M1) rose by 3.45 percent (SAR 42.1 billion) to SAR 1,260.2 billion or 67.4

Chart 1: Money Supply





percent of M3, compared to a rise of 0.01 percent (SAR 0.2 million) in the preceding quarter, recording a y/y rise of 4.2 percent (SAR 50.9 billion). Also, M2 increased by 3.0 percent (SAR 49.9 billion) to SAR 1,693.5 billion or 90.6 percent of M3 against a decrease of 0.8 percent (SAR 13.3 billion) in the preceding quarter. It recorded a y/y rise of 3.9 percent (SAR 63.9 billion).

## **2.2 Monetary Base**

Monetary base rose by 1.75 percent (SAR 5.6 billion) to SAR 326.0 billion compared to 2.80 percent (SAR 8.7 billion) in the preceding quarter, recording a y/y decline of 0.2 percent (SAR 0.68 billion). A breakdown of the components of the monetary base indicates that deposits with SAMA decreased by 3.5 percent (SAR 3.7 billion) to SAR 102.0 billion, compared to an increase of 5.0 percent (SAR 5.0 billion) in the preceding quarter, recording a y/y rise of 1.3 percent (SAR 1.35 billion). Cash in vault increased by 10.8 percent (SAR 3.2 billion) to SAR 33.1 billion, compared to a decrease of 2.9 percent (SAR 0.9 billion) in the preceding quarter, recording a y/y decline of 8.3 percent (SAR 3.0 billion). On the other hand, currency in circulation rose by 3.3 percent (SAR 6.1 billion) to SAR 190.8 billion compared to a increase of 2.5 percent (SAR 4.6 billion) in the preceding quarter, registering a y/y increase of 0.5 percent (SAR 0.95 billion).

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

Preliminary data of SAMA's balance sheet indicate that total foreign assets rose by 2.7 percent (SAR 49.6 billion) to SAR 1,913.8 billion, compared to a rise of 0.6 percent (SAR 11.2 billion) in Q1. They registered a y/y rise of 1.25 percent (SAR 23.6 billion). Net foreign assets went up by 2.7 percent (SAR 50.7 billion) to SAR

1,899.0 billion, compared to an increase of 0.7 percent (SAR 12.9 billion) in the preceding quarter, recording a y/y rise of 1.5 percent (SAR 27.7 billion) (Chart 2).

Total deposits in domestic currency for foreign entities dropped by 7.3 percent (SAR 1.1 billion) to SAR 14.4 billion, compared to a decline of 9.7 percent (SAR 1.7 billion) in the preceding quarter. They recorded a y/y decrease of 22.2 percent (SAR 4.1 billion).

## **3.1 Reserve Assets**

SAMA's total reserve assets increased by 2.7 percent (SAR 50.0 billion) to SAR 1,923.3 billion, compared to a rise of 0.6 percent (SAR 11.1 billion) in the preceding quarter. They recorded a y/y rise of 1.2 percent (SAR 23.4 billion). A breakdown of the components of total reserve assets as compared to the preceding quarter indicates that the reserve position with the IMF rose by 6.3 percent (SAR 0.48 billion) to SAR 8.1 billion. However, investments in securities abroad declined by 3.8 percent (SAR 46.1 billion) to SAR 1,180.4 billion. On the other hand, foreign exchange and deposits abroad increased by

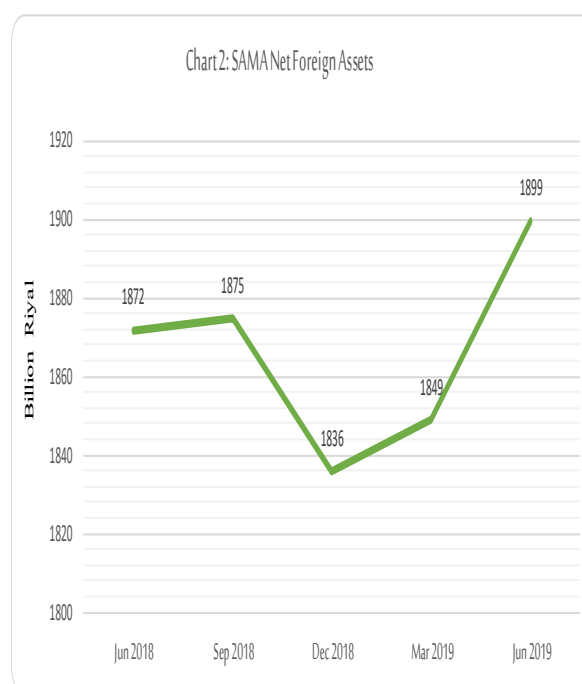
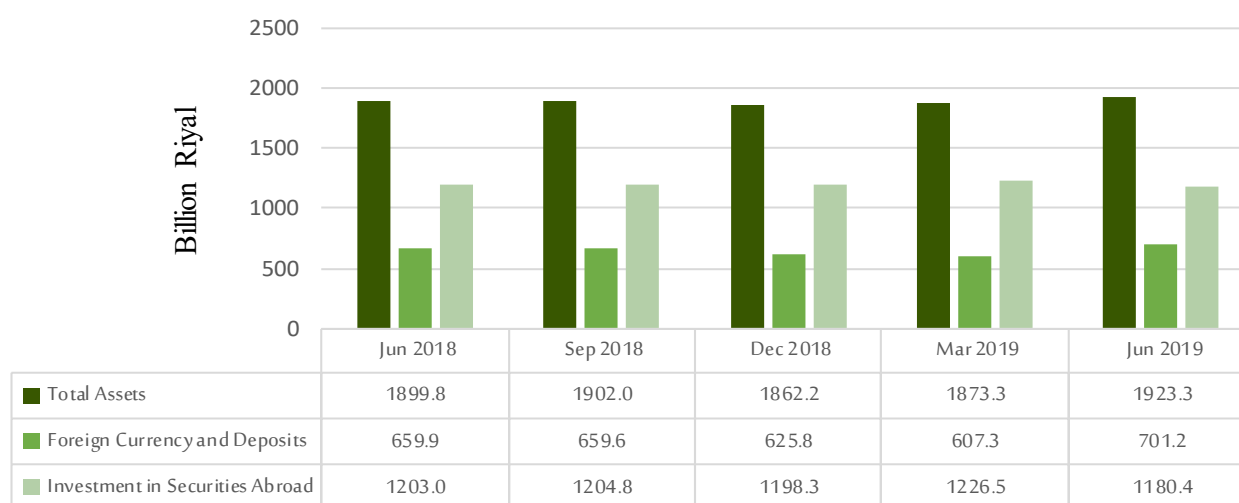


Chart 3: Reserve Assets



15.5 percent (SAR 93.9 billion) to SAR 701.2 billion. The balance of special drawing rights (SDR) also rose by 5.6 percent (SAR 1.7 billion) to SAR 32.0 billion, while gold reserve was stable at SAR 1.6 billion (Chart 3).

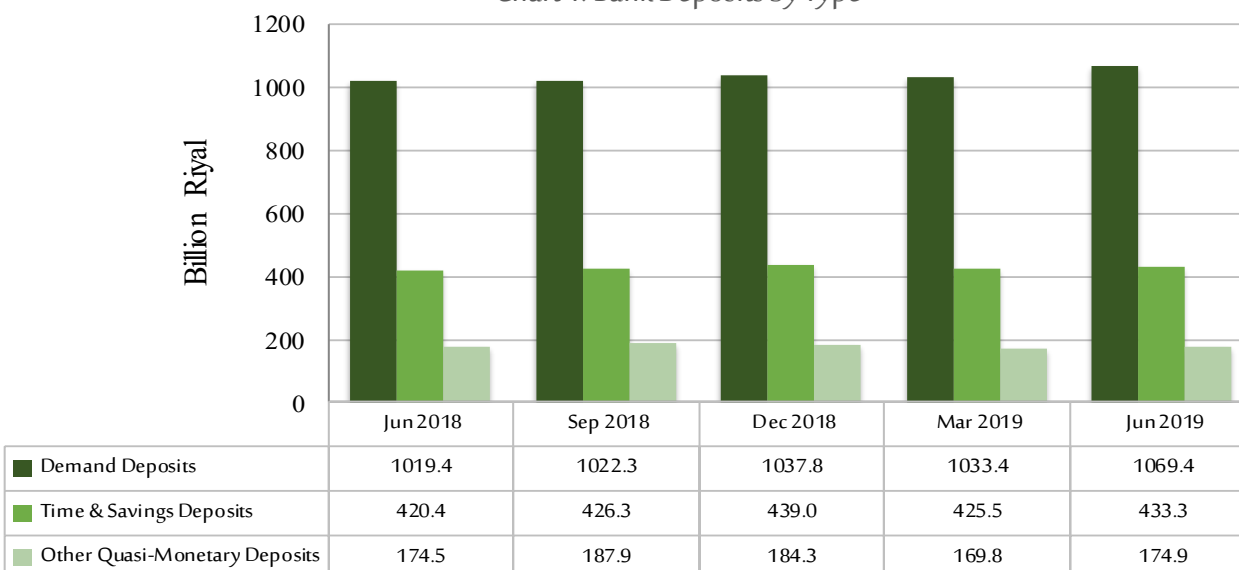
#### Fourth: Banking Developments

##### 4.1 Bank Deposits

Total bank deposits increased by 3.0 percent (SAR 49.0 billion) to SAR 1,677.6 billion, compared to a decrease of 2.0 percent (SAR 32.4 billion) in the preceding quarter, recording a y/y rise of 3.9 percent (SAR 63.3 billion).

A breakdown of deposits by type indicates that demand deposits rose by 3.5 percent (SAR 36.0 billion) to SAR 1,069.4 billion compared to a decrease of 0.4 percent (SAR 4.4 billion) during the preceding quarter, recording a y/y rise of 4.9 percent (SAR 50.0 billion). Time and savings deposits also increased by 1.8 percent (SAR 7.8 billion) to SAR 433.3 billion compared to a decline of 3.1 percent (SAR 13.5 billion) during the preceding quarter. They recorded a y/y rise of 3.1 percent (SAR 13.0 billion). Other quasi-monetary deposits went up by 3.1 percent (SAR 5.2 billion) to SAR 174.9 billion, compared to a decline of 7.9 percent (SAR

Chart 4: Bank Deposits by Type



14.5 billion) during the preceding quarter. They recorded a y/y rise of 0.2 percent (SAR 0.43 billion) (Chart 4).

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

Total assets and liabilities of commercial banks stood at SAR 2,433.4 billion, increasing by 3.0 percent (SAR 69.1 billion) compared to a slight rise of 0.04 percent (SAR 0.84 billion) in the preceding quarter. They registered a y/y rise of 5.2 percent (SAR 121.4 billion).

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

Total foreign assets of commercial banks increased by 1.4 percent (SAR 3.0 billion) to SAR 216.0 billion as compared to a decline of 3.6 percent (SAR 8.1 billion) during the preceding quarter. They registered a y/y decline of 4.9 percent (SAR 11.0 billion), constituting 8.9 percent of commercial banks' total assets at end-Q2 2019 as compared to 9.0 percent at end-Q1 2019. Commercial banks' total foreign liabilities went up by 6.4 percent (SAR 7.1 billion) to SAR 118.1 billion against an increase of 16.3 percent (SAR 15.6 billion) in the preceding quarter. They registered a y/y increase of 31.0 percent (SAR 28.0 billion), or 4.9 percent of total liabilities of

commercial banks against 4.7 percent at end-Q1 2019. Commercial banks' net foreign assets dropped by 4.0 percent (SAR 4.0 billion) to SAR 97.9 billion, compared to a decline of 18.8 percent (SAR 23.7 billion) during the preceding quarter. They recorded a y/y decline of 28.5 percent (SAR 39.0 billion) (Chart 5).

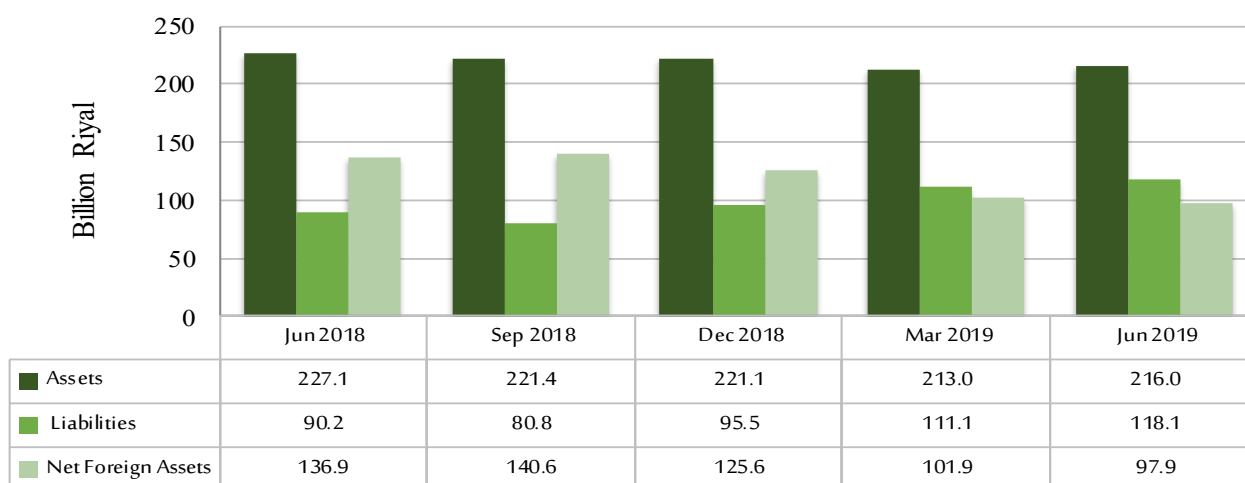
#### **4.4 Commercial Banks' Claims on the Private and Public Sectors**

Commercial banks' claims on the private and public (including government and quasi-government) sectors went up by 1.6 percent (SAR 29.7 billion) to SAR 1,865.0 billion, compared to an increase of 2.7 percent (SAR 48.4 billion) in the preceding quarter. They recorded a y/y rise of 6.2 percent (SAR 109.3 billion). The ratio of these claims to total bank deposits dropped to 111.2 percent from 112.7 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 15.4 billion) to SAR 1,465.0 billion, compared to a rise of 1.0 percent (SAR 14.7 billion) in the preceding quarter. The

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

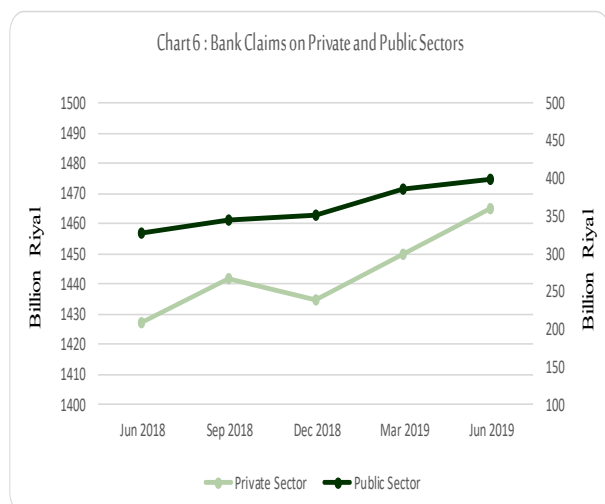


claims on the private sector registered a y/y increase of 2.6 percent (SAR 37.7 billion). The ratio of these claims to total bank deposits declined to 87.3 percent from 89.0 percent at the end of the preceding quarter (Chart 6).

#### **4.4.2 Commercial Banks' Claims on the Public Sector**

Commercial banks' claims on the public sector rose by 3.7 percent (SAR 14.3 billion) to SAR 400 billion, compared to a rise of 9.6 percent (SAR 33.6 billion) in the preceding quarter. The claims registered a y/y increase of 21.8 percent (SAR 71.5 billion). The ratio of commercial banks' total claims on the public sector to total bank deposits increased to 23.8 percent from 23.7 percent at the end of the preceding quarter (Chart 6).

A breakdown of bank credit by maturity indicates that long-term credit increased by 4.3 percent (SAR 21.4 billion) to SAR 517.9 billion, compared to a rise of 0.5 percent (SAR 2.4 billion) in the preceding quarter. Medium-term credit, however, went down by 2.1 percent (SAR 4.9 billion) to SAR 225.3 billion, compared to an increase of 2.5 percent (SAR 5.5 billion) in the preceding quarter. Short-term credit also decreased by 0.2 percent (SAR 1.3 billion) to SAR 714.9 billion compared to a rise of 1.3 percent (SAR 9.1 billion) in the preceding quarter (Chart 6).



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

Total bank credit extended to economic activities increased by 1.1 percent (SAR 15.2 billion) to SAR 1,458.1 billion, compared to a rise of 1.2 percent (SAR 17.0 billion) in the preceding quarter, recording a y/y rise of 3.1 percent (SAR 44.0 billion).

A breakdown of bank credit extended to economic activities indicates increases in bank credit extended to commerce by 6.8 percent (SAR 18.3 billion), to services by 3.9 percent (SAR 2.9 billion), to agriculture and fishing by 3.0 percent (SAR 0.5 billion), to other sectors by 2.5 percent (SAR 14.8 billion), to finance by 1.4 percent (SAR 0.6 billion) and to transport and telecommunication by 1.0 percent (SAR 0.5 billion). On the contrary, bank credit extended to electricity, water, gas and health services dropped by 13.7 percent (SAR 8.7 billion), to building and construction by 5.2 percent (SAR 5.4 billion), to mining and quarrying by 5.1 percent (SAR 1.0 billion), to manufacturing and production by 3.4 percent (SAR 5.8 billion) and to government and quasi-government by 2.6 percent (SAR 1.3 billion).

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

Capital and reserves of commercial banks increased by 2.3 percent (SAR 8.2 billion) to SAR 358.9 billion, compared to a rise of 15.4 percent (SAR 46.8 billion) in the preceding quarter, recording a y/y rise of 7.8 percent (SAR 26 billion). Their ratio to total bank deposits decreased to 21.4 percent from 21.5 percent in the preceding quarter. Commercial banks' profits stood at SAR 10.9 billion compared to SAR 13.9 billion in the preceding quarter, recording a decline of 21.2 percent (SAR 2.9 billion) compared to a rise of 16.6 percent (SAR 2



billion) in the preceding quarter.

The number of commercial banks' branches operating in Saudi Arabia decreased to 2,062 with 3 branches less compared to the preceding quarter, registering a y/y decline of 4 branches.

#### **4.6 Commercial Banks' Purchases and Sales of Foreign Exchange**

##### **4.6.1 Commercial Banks' Purchases of Foreign Exchange**

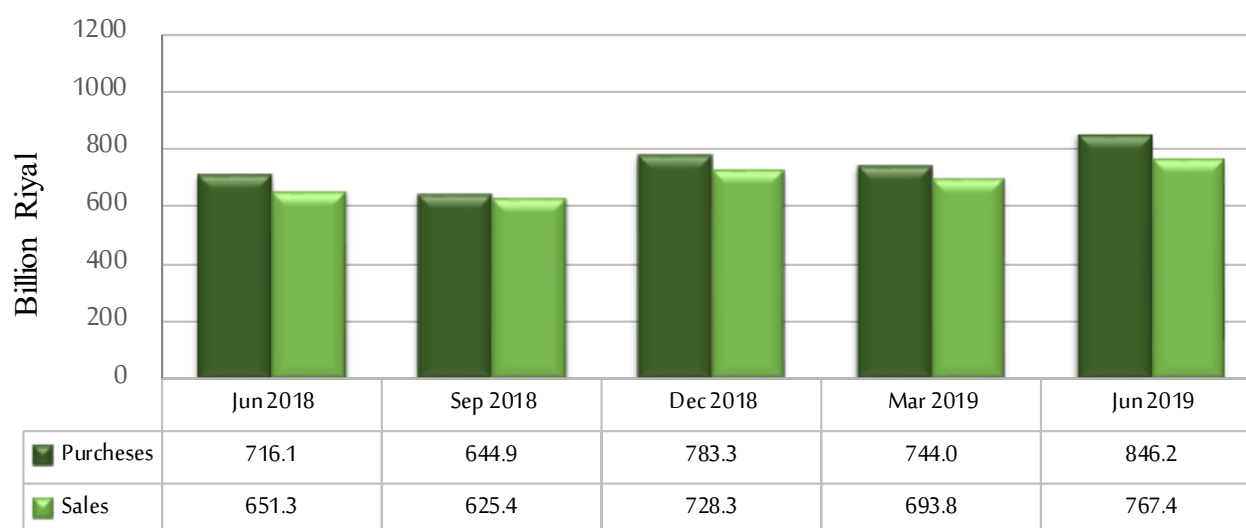
Commercial banks' total purchases of foreign exchange rose by 13.7 percent (SAR 102.2 billion) to SAR 846.2 billion, compared to a decline of 5.0 percent (SAR 39.3 billion) in the preceding quarter, recording a y/y increase of 18.2 percent (SAR 130.1 billion). A q/q comparison of banks' total purchases shows that purchases from domestic banks increased by 28.0 percent (SAR 32.6 billion), from customers by 36.4 percent (SAR 40.4 billion), from other sources by 18.5 percent (SAR 3.5 billion) and from foreign banks by 15.0 percent (SAR 55.6 billion). However, banks' total purchases from SAMA declined by 23.5 percent (SAR 29.8 billion) (Chart 7).

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

Commercial banks' total sales of foreign exchange went up by 10.6 percent (SAR 73.6 billion) to SAR 767.4 billion, compared to a decline of 4.7 percent (SAR 34.5 billion) in the preceding quarter. They recorded a y/y rise of 17.8 percent (SAR 116.1 billion).

A q/q comparison of banks' total sales of foreign exchange indicates that sales to ministries and municipalities jumped by 987.4 percent (SAR 0.7 billion), to SAMA by 52.5 percent (SAR 1.9 billion), to domestic banks by 32.5 percent (SAR 30.0 billion), to banks abroad by 9.3 percent (SAR 23.4 billion), to other purposes (traveling abroad, personal transfers, and foreign contractors) by 8.7 percent (SAR 7.8 billion) and to other customers in Saudi Arabia by 4.4 percent (SAR 10.4 billion). However, banks' total sales of foreign exchange to government entities fell by 3.8 percent (SAR 0.7 billion) (Chart 7).

Chart 7: Banks' Foreign Currency Purchases and Sales



## **Fifth: External Sector**

### **Foreign Trade**

In Q1 2019, total exports value went up by 2.1 percent to SAR 249.4 billion as compared to SAR 244.2 billion in Q1 2018, as total value of oil exports rose by 2.3 percent to SAR 192.0 billion and other exports (including re-exports) increased by 1.3 percent to SAR 57.3 billion. Furthermore, Value of imports (CIF) recorded a y/y increase of 3.0 percent to SAR 129.8 billion in Q1 2019.

### **Balance of Payments**

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

Preliminary estimates indicate a surplus of SAR 43.2 billion in the current account balance in Q1 2019 compared to a surplus of SAR 34.9 billion in Q1 2018. This is attributed to a surplus of SAR 73.5 billion in the balance of goods and services against a y/y surplus of SAR 68.5 billion. The balance of goods recorded a surplus of SAR 130.4 billion due to a rise in exported goods by 2.1 percent to SAR 249.4 billion compared to SAR 244.2 billion in the corresponding quarter of the previous year, despite the increase in imported goods (FOB) by 3.0 percent to SAR 119.0 billion compared to SAR 115.5 billion in the corresponding quarter of the preceding year, and the services deficit improved from SAR 60.3 billion in Q1 2018 to SAR 57.0 billion in Q1 2019. The surplus of the balance of primary income fell to SAR 4.8 billion in Q1 2019 against SAR 5.9 billion in the corresponding quarter of previous year. The deficit in the secondary income balance fell by 11.1 percent to SAR 35.0 billion compared to SAR 39.4 billion in the corresponding quarter of the previous year.

#### **5.2: Capital Account**

Capital account registered outflows of SAR 1.0 billion in Q1 2019 against SAR 1.3

billion in the corresponding quarter of the previous year.

#### **5.3: Financial Account**

Net direct investments increased by SAR 11.5 billion in Q1 2019 due to the fact that net acquisition of financial assets abroad (SAR 16.2 billion) is higher than domestic net incurrence of liabilities (SAR 4.7 billion). Net portfolio investments dropped by SAR 0.1 billion against a y/y rise of SAR 9.6 billion. Net other investments registered an increase of SAR 18.7 billion against a y/y increase of SAR 20.7 billion. Net reserve assets increased by SAR 11.1 billion in Q1 2019 against a y/y drop of SAR 11.4 billion, where other reserve assets rose by SAR 9.7 billion (due to a decline in the item of investment in securities by SAR 18.5 billion against a rise in currency and deposits item by SAR 28.2 billion) against a y/y decline of SAR 12.9 billion.

## **Sixth: Banking Technology Developments and Financial Inclusion:**

### **6.1 Saudi Riyal Inter-bank Express System (SARIE)**

The total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions fell by 14.7 percent (SAR 1,831.5 billion) to SAR 10,615.7 billion. The value of single payment transactions totaled SAR 9,863.8 billion, whereas the total value of bulk payment transactions amounted to SAR 742.8 billion. Total customer payments reached SAR 1,898.1 billion, with a q/q rise of 11.0 percent. The total value of inter-bank payments stood at SAR 8,708.6 billion with a q/q fall of 18.8 percent.

## 6.2 Mada

Total number of ATM transactions was approximately 529.3 million, with cash withdrawals totaling SAR 189.3 billion, including transactions through banks' network and mada. Total point of sale (POS) transactions were 362.3 million with sales totaling SAR 72.7 billion. The number of ATMs totaled 18.8 thousand and the number of ATM cards issued by domestic banks stood at 30.3 million. The number of POS terminals stood at 388 thousand.

## 6.3 Clearing

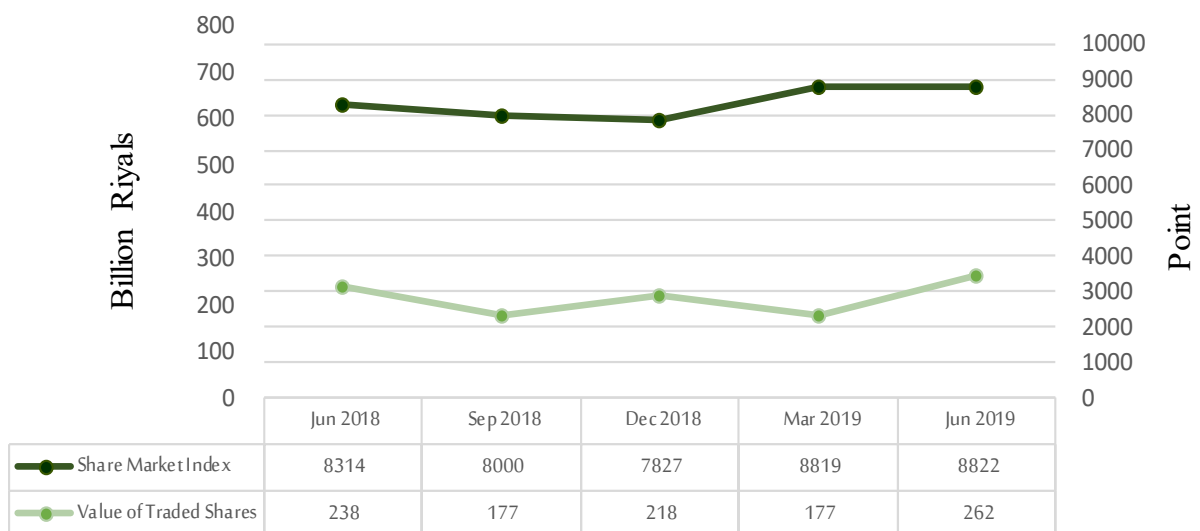
As for statistics on clearing, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 805 thousand with a total value of SAR 95.4 billion. The number of individual and corporate checks totaled 710.5 thousand with a total value of SAR 65.8 billion; the number of interbank checks totaled 94.5 thousand with a total value of SAR 29.6 billion.

## Seventh: Domestic Stock Market Developments

Tadawul All Share Index (TASI) increased by 0.03 percent to 8,822 at end-Q2 2019 compared to a rise of 12.7 percent in the preceding quarter, recording a y/y increase of 6.1 percent. The number of traded shares increased by 19.2 percent to 9.1 billion compared to a q/q drop of 16.1 percent, recording a y/y decline of 13.0 percent. Total value of shares traded jumped by 48.1 percent to SAR 262 billion compared to a q/q drop of 18.9 percent, recording a y/y rise of 10.0 percent.

At end-Q2 2019, the stock market capitalization decreased by 0.3 percent to SAR 2.1 billion against a rise of 12.3 percent at the end of the preceding quarter, registering a y/y increase of 5.0 percent. Total number of transactions increased by 3.9 percent to 6.7 million compared to a fall of 11.1 percent in the preceding quarter, recording a y/y rise of 8.6 percent (Chart 8).

Chart 8: Share Market Index



Source: Tadawul and Capital Market Authority.

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

Total assets of investment funds managed by investment companies went up by 7.1 percent (SAR 7.9 billion) to SAR 119.8 billion in Q1 2019 compared to a fall of 5.1 percent (SAR 6.0 billion) in the preceding quarter, recording a y/y decline of 0.3 percent (SAR 0.3 billion).

A breakdown of total assets of investment funds shows that domestic assets declined 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, registering a y/y drop 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, registering 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) to 356.4 thousand in Q1 2019, compared to a rise of 1.7 percent (5.7 thousand) in the preceding quarter. The number of subscribers recorded a y/y increase of 20.9 percent (61.6 thousand). The number of funds increased by three to 252 in Q1 2019 compared to the preceding quarter.

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

According to the latest available data, the specialized credit institutions' total outstanding loans went down in Q1 2019 by 0.3 percent (SAR 0.7 billion) to SAR 230.1 billion, compared to an increase of 0.2 percent (SAR 0.35 billion) in the preceding quarter. They registered a y/y decline of 1.6 percent (SAR 3.8 billion). Total actual loan disbursements dropped by 36.2 percent (SAR 2.2 billion) in Q1 2019, compared to a rise of 29.1 percent (SAR 1.4 billion) in the preceding quarter. The total recorded a y/y

increase of 94.6 percent (SAR 1.9 billion). Total loan repayments to SCIs went down by 25.3 percent (SAR 1.5 billion) in Q1 2019 compared to a rise of 12.8 percent (SAR 0.7 billion) in the preceding quarter, registering a y/y increase of 4.8 percent (SAR 0.2 billion). SCIs net credit recorded a deficit of SAR 612 million at the end of Q1 2019. This is because total repaid loans are 15.6 percent higher than total new actual loans.

A breakdown of loans extended by SCIs in Q1 2019 indicates that loans extended by the Real Estate Development Fund (REDF) increased by 71.6 percent (SAR 0.8 billion) compared to a rise of 237.9 percent (SAR 0.8 billion) in the previous quarter. In addition, loans extended by the Social Development Bank (SDB) increased by 10.9 percent (SAR 0.07 billion) compared to a rise of 25.2 percent (SAR 0.1 billion) in the preceding quarter. On the contrary, loans extended by the Saudi Industrial Development Fund (SIDF) dropped by 71.8 percent (SAR 3 billion) compared to an increase of 11.1 percent (SAR 0.4 billion) in the preceding quarter. Loans extended by the Agricultural Development Fund (ADF) dropped by 37.7 percent (SAR 0.07 billion) compared to a rise of 47.3 percent (SAR 0.06 billion) in the preceding quarter.

In regard to credit repayments in Q1 2019, the volume of repayments to the SIDF declined by 81.2 percent (SAR 1.5 billion) against an increase of 33.6 percent (SAR 0.5 billion) in the preceding quarter. Repayments to the ADF also dropped by 28.5 percent (SAR 0.06 billion) compared to a fall of 36.9 percent (SAR 0.1 billion) in the preceding quarter. Repayments to the REDF went down by 1.1 percent (SAR 0.02 billion) compared to a rise of 18.7 percent (SAR 0.3 billion) in the preceding quarter. In contrast, total loan repayments to the SDB went up by 1.1 percent (SAR

0.02 billion) compared to a rise of 3.7 percent (SAR 0.08 billion) in the preceding quarter.

#### **Tenth: Supervisory and Legislative Banking Developments during Q2 2019**

- SAMA issued rules on ownership of properties within Makkah and Madinah's borders for banks and real estate finance companies.
- SAMA instructed all banks operating in Saudi Arabia not to withhold or deduct any amounts received from Sanad Muhammad Bin Salman Program or MiSK Charity Foundation from the accounts of the beneficiaries for repayment of personal loans and other financing obligations.
- SAMA stressed that banks should be ready to receive account opening requests from gas stations owners and provide POS terminals connected via the National Payment System (mada).
- SAMA instructed financial institutions to provide free communication channels for their customers inside and outside Saudi Arabia through which they can make their complaints, reports and inquiries, in addition to other communication channels and smart infrastructure such as online chat service.
- SAMA decided to extend the exemption of banks' remittance centers to operate on Fridays for one year as per the approved working hours.
- SAMA updated the Margin Requirements for Non-Centrally Covered Derivatives.
- SAMA allowed branches located in cities and military/air bases to operate outside the official working hours in line with specific regulations.
- SAMA allowed cash withdrawal of funds excluded from seizure in bank accounts seized by a judicial order and it also

allowed ATM card issuance and renewal services.

- SAMA instructed all banks operating in Saudi Arabia to apply, at least 60 days prior to the end of the prescribed period, for an extension of the retention period of properties whose ownership is transferred to banks in return for a loan settlement.
- SAMA stressed the need to adhere to security regulations, instructions and requirements for cash in transit vehicles.
- SAMA issued the annually updated list of domestic systemically important bank (D-SIBs) for 2019.
- SAMA approved Financial Entities Ethical Red Teaming Framework, which is based on best international practices and experiences.
- SAMA stressed on all banks operating in Saudi Arabia not to accept withdrawal from government bank accounts unless under a joint signature from the persons authorized.
- SAMA exempted clients of money changers at airports who are travelling abroad from presenting their national ID to carry out banking operations and, instead, they should only present the passport and boarding pass.
- SAMA allowed Banks continue providing finance lease activities without renewing their license.
- SAMA approved the electronic reporting form adopted by Financial Investigation Unit in the area of AML/CFT.
- SAMA decided to extend working hours of bank branches located in pilgrims gathering areas near the two holy mosques during 1440H Haj Season.
- SAMA encouraged all banks and finance companies operating in Saudi Arabia to offer a financing product for private dental clinics to help Saudi dentists establish their own clinics.



- SAMA issued an update on the Rules Governing Disposal of Finance Assets or their Contractual Rights.
- SAMA instructed all banks operating in Saudi Arabia to use “Qawaem” Program as a source to obtain financial statements of commercial entities and only rely on reliable financial statements available in this program.
- SAMA allowed the Saudi Real Estate Refinance Company to buy residential financing portfolios from real estate financiers after a minimum of three months from the date of granting the financing.
- SAMA instructed all banks and finance companies to register finance lease contracts with the Saudi Finance Lease Registration Company (Sijil).
- SAMA provided its non-objection for banks operating in Saudi Arabia to contract with Authorized Persons to allocate public investment funds through electronic channels only.

#### **Eleventh: Prominent Regulatory Developments in the Saudi Economy During Q2 2019**

- The Council of Ministers approved the organizational structure and Charter of the Ministry of Commerce and Investment.
- The Council of Ministers approved the regulatory arrangements for the National Transformation Program Center.
- The Council of Ministers approved granting a banking license for Credit Suisse Group to open a branch in Saudi Arabia.
- The Council of Ministers approved the Public Investment Fund Law.
- The Council of Ministers approved the Statute of the Saudi Economic Business Center.
- The Council of Ministers approved the establishment of the National Center for the Development of Non-Profit Sector.
- The Council of Ministers approved the

National Strategy for Statistical Development.

- The Council of Ministers approved the Statute of the Saudi Center for Commercial Arbitration.
- The Council of Ministers approved that the Real Estate General Authority shall be responsible for in-kind property registration.
- The Council of Ministers approved the Special Privilege Iqama Law.
- The Council of Ministers approved the updated Saudi Classification of Professions.
- The Council of Ministers approved the Law for foreign Pilgrims Service Providers.
- The Council of Ministers approved Saudi Arabia’s signing of the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports.
- The Council of Ministers decided to convert the National Accreditation Committee into an independent center named the Saudi Center for Accreditation and approved its Statute.



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Saudi Arabian Monetary Authority

