



Circular No.: BCS 104171

Date: 02/07/2013

From : Saudi Arabian Monetary Agency

To : All Banks

Attention : Managing Directors, Chief Executive Officers and General Managers

Subject : **Basle Committee on Banking Supervision (BCBS) issued Consultative Document regarding Capital Treatment of bank exposures to central counterparties**

The BCBS in cooperation with the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) issued the interim rules for capital treatment of banks' exposure to central counterparties (CCPs). It is now seeking views on some potential changes to these rules.

As a background, in 2012 BCBS published interim rules for banks' exposures to CCPs but noted that additional work still was needed. Accordingly, this consultative document sets out the potential changes which have been identified following additional work. The objective of the suggested changes is to establish a capital treatment that ensures banks' exposures to central counterparties are adequately capitalized, while also preserving incentives for central clearing, and promoting robust risk management by banks and CCPs on the basis of CPSS-IOSCO *Principles for financial market infrastructures* (PFMIs). The proposed changes respond to evidence that the interim rules could lead to instances of very little capital being held against exposures to some CCPs, and potentially, in certain cases, capital charges to be higher than for bilateral transactions. There was also concern that, in some cases, the capital treatment might create disincentives to the maintenance of generous default funds. As these outcomes are potentially inconsistent with the Committee's objectives, the changes seek to address these concerns.

While, banks can access this BCBS document from BIS website: www.bis.org, they are expected to review it and provide comments by 28 July 2013 through e-mail to Dr. Alwaleed Alsheikh at akalsheikh@sama.gov.sa, Mr. Tariq Javed at t_javed@sama.gov.sa and Mr. Abbas Hassan at ahassan@sama.org.sa.

If you need further clarifications, please contact the abovementioned parties.

Best regards,

Abdulaziz Al-Helaissi
Deputy Governor of Supervision