



Circular No.: 361000005759

Date: 4 November 2014

From : Saudi Arabian Monetary Agency

CC : H.E. Abdulaziz Al-Helaissi, Deputy Governor for Supervision  
: Osamah Shaker, General Director of Banking Control

To : All Banks

Attention : Managing Directors, Chief Executive Officers and General Managers

Subject : **Basel Committee on Banking Supervision Document regarding Review of the Principles for the Sound Management of Operational Risk**

In June 2011 the Basel Committee on Banking Supervision published its "Principles for the Sound Management of Operational Risk" ("the Principles") described in this document to provide guidance to banks on the management of operational risk.

The eleven principles incorporate the lessons from the financial crisis and the evolution of sound practice for management of operational risk. The Principles cover governance, the risk management environment and the role of disclosure, and address the three lines of defense (business line management, an independent corporate operational risk management function and an independent review).

SAMA circulated the aforementioned BCBS document of June 2011 through its circular # BCS 28412 dated November 20, 2011 and instructed banks to study this document with a view to keep abreast of the current development and practices implying that they should adopt these principles if feasible and relevant.

Earlier this year the Basel Committee conducted a review of the implementation of the aforementioned Principles. The scope of this review included 60 systemically important banks from 20 jurisdictions including Saudi Arabia. The exercise was designed as a questionnaire by which banks self-assessed their implementation of the Principles. Key findings and observations are described in the attached BCBS paper which the Banks can access for their information from BIS website: [www.bis.org](http://www.bis.org). In this respect, SAMA is circulating this BCBS document for banks information purposes as well as for them to self assess their implementation of these Principles.

Also should any bank need any clarifications, they should contact the undersigned at [akalsheikh@sama.gov.sa](mailto:akalsheikh@sama.gov.sa) or Mr. Tariq Javed at [t\\_javed@sama.gov.sa](mailto:t_javed@sama.gov.sa) or Mr. Abbas Hassan at [ahassan@sama.org.sa](mailto:ahassan@sama.org.sa).

Best regards,

**Alwaleed Alsheikh**  
*Director of Banking Supervision*