



Circular No.: 107018

Date: 10 July 2013

From : Saudi Arabian Monetary Agency
To : All Banks
Attention : Managing Directors, Chief Executive Officers and General Managers
Subject : **Basle Committee on Banking Supervision document entitled “Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement”, 1 July 2013**

This document updates and replaces the November 2011 publication entitled “Global systemically important banks: assessment methodology and the additional loss absorbency requirement”. It also summarizes the main changes to the November 2011 document as well as additional disclosure requirements.

During the financial crisis that started in 2007, the failure or impairment of a number of globally active financial institutions sent shocks through the international financial system. Consequently, the BCBS adopted a series of reforms which includes increasing the quality and quantity of capital, improving risk coverage, introducing a leverage ratio, capital conservation and countercyclical buffers, as well as a global standard for liquidity risk. These measures have a particular impact on G-SIBs, given their business model and spillover effects. Consequently, additional measures need to be put in place to reduce problems from the failure of global systemically important banks (G-SIBs).

As there is no single solution to the externalities posed by G-SIBs through spillover effects, the issues is being addressed through broad policies as below:

- Reduce the probability of failure of G-SIBs by increasing their going-concern loss absorbency; and
- Reduce the extent or impact of failure of G-SIBs, by improving global recovery and resolution frameworks.

This document addresses the first objective of requiring additional going-concern loss absorbency for G-SIBs, thereby reducing the probability of failure. The aforementioned compliments those measures adopted by the Financial Stability Board (FSB) to establish robust national recovery and resolution regimes and to improve cross-border harmonization and coordination.

Banks can access this BCBS document from BIS website: www.bis.org and accordingly they are expected to circulate it to all relevant senior officers of the bank including CFOs, CROs, Basel III Team members, etc. with the objective to keep them informed on the contents of this document.

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