



Circular No.: BCS 771
Date: 5 December 2008

From : Saudi Arabian Monetary Agency

To : All Banks

Attention : Managing Directors, Chief Executive Officers and General Managers

Subject : **Basel Committee Guidance on Principles for Sound Liquidity Risk Management and Supervision**

The Basel Committee on Banking Supervision has recently issued a draft guidance document on Principles for Sound Liquidity Risk Management and Supervision. This document is currently in the final stages of being refined before it is published as an international standard. It is likely that the final document will largely remain unchanged.

In this regard, the Agency is issuing this draft document (see attached) in order for Banks to benefit from the latest thinking of the international supervisory community on Liquidity Risk Management and therefore, we require Banks to review their current procedures against this guidance. Banks should carry out an internal review (to be done by the internal audit department) and submit to SAMA by 31 March 2009 a report on their findings. This review is not required from the Branches of the foreign Banks in Saudi Arabia as their liquidity management procedures will be evaluated in a different manner.

The review should address the following:

1. The Banks existing liquidity management organization, policies, procedures, processes and controls are to be assessed against the Principles outlined in the document.
2. The Internal Auditor should make the following assessment against each Principle outlined in the Guidance document:
 1. Fully Compliant
 2. Largely Compliant
 3. Adequate but improvements are needed
 4. Largely Non-compliant
 5. Non-compliant

3. For those principles where assessment is less than Fully Compliant, the weaknesses and gap should be identified.
4. A detailed plan should be made for each weakness/gap along with the actions to be taken and the time frame for completion of the corrective actions.

If you need any further information, you may call Mr. Ahmed Al-Sheikh at (01)466-2494 or Mr. Tariq Javed at (01)466-2532.

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Encl.: a/s