

Saudi Arabian Monetary Agency

Banking Supervision Dept.

25 August 2014

From : Saudi Arabian Monetary Agency
CC : H.E. Abdulaziz Al-Helaissi, Deputy Governor for Supervision
To : All Banks
Attention : Managing Directors, Chief Executive Officers and General Managers
Subject : **SAMA's Guidance document and Disclosure Templates concerning the implementation of Basel III Leverage Ratio Disclosure Requirements based on BCBS document of January 2014**

As you are aware, at the height of the last financial crisis, financial markets forced the banking sector to reduce its leverage in a manner that amplified downward pressures on asset prices. Consequently, the Basel III framework introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. In this respect, SAMA through its Circular # BCS 5610 dated 13 February 2011 implemented a minimum leverage ratio which was based on the BCBS requirements described in their Basel III document of December 2010 and commenced the monitoring process of Saudi banks Leverage Ratio from 1st January 2011.

Subsequently, in January 2014, the BCBS issued a document entitled "Basel III Leverage Ratio Framework and Disclosure Requirements". This document provided several additional clarifications and enhancements with regard to leverage ratio covering specifically capital and exposure measurement, collaterals, and disclosures standards. SAMA issued its draft implementation package document comprising of Guidance Notes and Prudential Returns on 17 April 2014 which was based on the aforementioned BCBS documents of January 2014 for Saudi banks to provide their comments. The Agency after this consultation process is now issuing its finalized guidance notes and prudential returns for banks to implement from 1st January 2015.

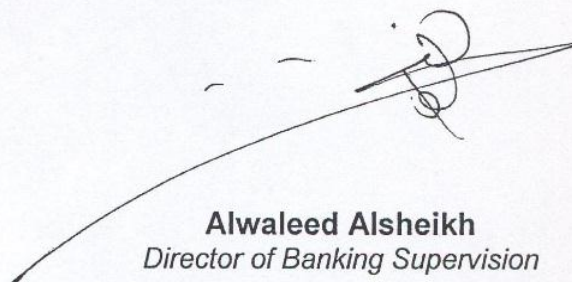
Consequently, the monitoring of this ratio for Saudi banks will continue on the usual quarterly basis based on the attached guidance framework. Any final adjustment to the definition and calibration of the Basel III Leverage ratio will be carried out in 2017. The leverage ratio is expected to migrate to Pillar 1 treatment on 1 January 2018.



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The Banks can access the BCBS document of January 2014 from BIS website: www.bis.org titled "Basel Committee on Banking Supervision Basel III Leverage Ratio Framework and disclosure requirements" dated January 2014 for their reference and understanding. Also should any bank need any clarifications to the attached SAMA's implementation framework concerning Basel III Leverage Ratio and Disclosure requirements, they should contact at the latest by 15 October 2014 myself at akalsheikh@sama.gov.sa or Mr. Tariq Javed at t_javed@sama.gov.sa or Mr. Abbas Hassan at ahassan@sama.org.sa. Depending on the question raised by the banks, SAMA may decide to introduce an FAQ process.



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