

Banking Supervision Dept.

OUTGOING E-MAIL

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221/DG/BCS

13, February 2011

Mr. Stefan Walter
Secretary General
Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Dear Mr. Walter,

Subject: **Saudi Banking Industry Comments on the BCBS Documents**

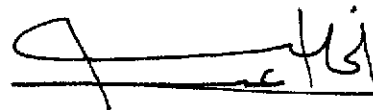
I am pleased to provide you with the comments of the Saudi Banking Industry on the BCBS documents as given below.

1. Capitalization of Banks' Exposure to Central Counterparties
2. Sound Practices for the Management and Supervision of Operational Risk
3. Supervisory Guidelines for the Advanced Measurement Approach
4. Range of Methodologies for Risk and Performance Alignment of Remuneration

These comments have been prepared from the perspective of the Saudi Banks and are made in the context of their local and international activities. We hope that they will add value to the discussions to finalize these proposals.

SAMA representatives will be pleased to discuss these with the relevant Committees if needed. In this regard, you may contact Mr. Fahd Al-Mufarrij at telephone number +9661-466-2305, or Mr. Tariq Javed at telephone number +9661-4662532.

Best regards.



Dr. Abdulrahman Al Kalaf
*Deputy Governor
for Technical Affairs*

Encl.: a/s

**Sound Practices for the Management and
Supervision of Operational Risk**

Comments from Saudi Banks

Alinma Bank

- The principles laid down in this consultative document are very similar to an Enterprise Risk Management (ERM) framework from a best practices perspective, where Operational risk is a subset along with strategic, reputation and systemic risk.
- The challenges that any organization can face in implementing an ERM framework is akin to compliance to these principles.

Al-Rajhi Bank

- Clarity is requested for the following aspects:
 - Role of the Operational Risk as a second line of defence requires further clarity & elaboration.
 - Role have been defined in the documents however, responsibilities have been omitted.