

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**

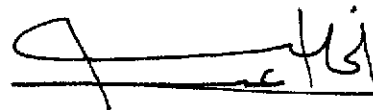
I am pleased to provide you with the comments of the Saudi Banking Industry on the BCBS documents as given below.

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

Supervisory Guidelines for the Advanced Measurement Approach

Comments from Saudi Banks

Al-Rajhi Bank

- The Bank has gone through the paper and it articulates the requirements comprehensively. However, it has made the following observations:
 - "Operational Loss Categories" requirements been included in the document but no guidance to the same has been included in the document.
 - Aspects that should be tested via use test should be added in the documents and who should be undertaking the Use Test and Experience assessment.
 - Rapid recovery loss event section requires clarity.
 - Guidance "Recovery timeframe" be included in the documents.
 - The documents requires calculation of expected losses for each risk class, however, how this should be undertaken has been omitted.
 - Data requirements for Scenario analysis have not been defined.