

Hamad Al-Sayari: Challenges posed to investment in Saudi banks

Speech by His Excellency Hamad Al-Sayari, Governor of the Saudi Arabian Monetary Agency, to the Symposium on Challenges Posed to Investment and Saudi Banks, Riyadh, 2 December 2006.

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Dear Audience,

At the beginning, I would like to welcome all honorable attendance. It gives me a great pleasure today to address you at the outset of the deliberations of this symposium on "**Challenges Posed to Investment and Saudi Banks in an Environment of Global Economic Openness**" which is convened at a time the Kingdom is witnessing a period of economic growth accompanied with and enhanced by steps of economic reforms in the fields of streamlining of regulations, restructuring of the national economy, and approval of a number of mega development projects as well as the accession to the World Trade Organization which is an important step towards enhancing integration into the world economy, coping with economic developments, and attraction of foreign investments apart from accession to global markets which will be reflected on the competitive capacity of the national economy.

Dear Audience,

The current Symposium is being held in a promising economic environment in this country. The Kingdom has recorded outstanding economic results. The real gross domestic product rose by 6.5 percent in 2005. This growth rate was reflected on almost all sectors of the economy which is characterized by strong investment. International rating agencies recorded their appreciation and certified the efficiency and strength of the national economy. Eventually, they raised the credit rating of the Kingdom to advanced grades. This environment promoted the interest of foreign investors to participate in and benefit from the various investment opportunities available in the Saudi economy. The Saudi banking system has played a vital role in the enhancement of the national economy. Thanks to its use of the latest technologies and various banking products, the banking system has witnessed good development under a supervisory system which is very keen to meet domestic requirements and legislation and to comply with international standards, including Basel Capital Adequacy Standard. The banks operating in the Kingdom are very serious in the application of this standard. As a result, the Kingdom's banking system has become one of the advanced systems, not only at the regional level but also at the international one.

Dear Audience,

Basel II Standards are the most important supervisory initiatives of this decade, and they will have a considerable impact on changing the conduct of risk management at all banks regardless of their size and location. The Standards aim at achieving a number of objectives, including ensuring the capital adequacy of the banking sector to encounter any latent risks and the assessment of banks' risk management systems so that the supervisory authorities could ensure that they are appropriate, in line with the risks that banks might encounter, and up to the best banking practices in the area of effective banking supervision. Basel II principles require all banks to address all risks, such as credit risks, market risks, operational risks and others. The principles envisage that banks should have in place systems that would help identify, measure, monitor and make provisions for such risks. The domestic banks are aware of the importance that the application of the new standard should coincide with concentration on risk management in keeping with the best global practices by using the best technological solutions.

Reviewing the topics of this Symposium and the quality of its speakers, I see that it broadly covers aspects and all types of applications of banking risk management as Basel II principles seek to highlight and address.

In conclusion, I express my deep thanks to the audience and the organizers of this symposium, and we look forward to having positive contributions and outstanding papers, wishing you all success.

Al Salumu Alaikum Warahmatu Allahi Wabarakatuh.