3 March 2015

E-MAIL

To : William Coen (william.coen@bis.org)
Secretary General, Basel Committee on Banking Supervision

CC : Abdulaziz Al-Helaissi, Deputy Governor for Supervision
(aalhelaissi@SAMA.GOV.SA)

From : Saudi Arabian Monetary Agency

Subject: **Comments of Saudi Banks on the BCBS Consultative Document entitled "Net Stable Funding Ratio Disclosure Standards" of December 2014**

Dear William,

We are pleased to forward to you the comments received from Saudi Banks on the BCBS Consultative document on the above-noted subject (see attached).

We hope that these comments will be useful in finalizing this BCBS document. You may contact Dr. Alwaleed Alsheikh at e-mail: akalsheikh@sama.gov.sa or Mr. Tariq Javed at e-mail: t_javed@sama.gov.sa or Mr. Abbas Hassan at e-mail: ahassan@sama.org.sa in case there are questions.

Best regards,

Alwaleed Alsheikh
Director of Banking Supervision

Attachment

Saudi banks comments on BCBS Consultative document Entitled "Net Stable Funding Ratio Disclosure Standards"

A. Banks Comments

Bank # 1:

Our comments on the above subject, as under:

Page 2 – Para 7

The disclosure requirements set out in this document are applicable to all internationally active banks on a consolidated basis but may be used for other banks and on any subset of entities of internationally active banks to ensure greater consistency and a level playing field between domestic and cross-border banks.

Bank Comment - Paragraph could be interpreted as that a host supervisor could compel disclosure of cross-border operations (under the supervision of the local regulator) on a consolidated basis, which may pose jurisdictional issues. Therefore, bank recommends it should be clear that host supervisors should limit the scope of disclosure requirements to locally regulated entities/branches in light of the comprehensive consolidated disclosures on the information in their home jurisdictions.

Bank # 2:

1. Bank notes that some of the disclosure requirements are strategic and proprietary in nature which can put Banks in a disadvantage to other financial institutions which are not mandated to follow the NSFR requirements.

2. Disclosures on Derivative Liabilities and securities that are not in default should be based on final weighted values rather than detailed breakdown of intra-period buckets.

3. Banks should provide a sufficient qualitative discussion around the NSFR to facilitate an understanding of the results and the accompanying data. For example where significant to the NSFR, the banks could discuss:

   (a) The drivers of their NSFR results and the reasons for intra-period significant changes as well as the changes over time (eg changes in strategies, funding structure, circumstances etc); and

(b) The composition of the bank’s interdependent assets and liabilities and to what extent these transactions are interrelated.

Bank notes that various banks may have a different interpretation of significance, and the related conclusions drawn may not be comparable, therefore, it recommends that a minimum standardized variance measure is to be introduced and the banks will be required to comment on the reasons once the standard is at breach.

B. <u>General Comment</u>

1. The BCBS paper in its introduction section on page 1, para # 4 indicates that "There are however some challenges associated with disclosure of funding position under certain circumstances including the potential for undesirable dynamic during stress period.”

   This is a general comments and the BCBS should further elaborate on this challenge to benefit the banking industry at large.

2. Item # 15 on page 4 of the document needs to be better explained as below where it is highlighted.

   In addition to the common template, banks should provide a sufficient qualitative discussion around the NSFR to facilitate an understanding of the results and the accompanying data. For example, where **significant** to the NSFR, banks could discuss:

   a. The drivers of their NSFR results and the reasons for **intra-period** changes as well as the changes overtime (eg changes in strategies, funding structure, circumstances, etc.) and

   b. The composition of the bank's **interdependent assets and liabilities** (as defined in paragraph 45 of the NSFR document) and to what extent these transactions are interrelated.