RCAP jurisdictional assessments: self-reporting monitoring template for RCAP follow-up actions

Jurisdiction: Saudi Arabia
Status as of: 31 December 2016
With reference to RCAP report(s): Assessment of Basel III risk-based capital and LCR regulations – Saudi Arabia (September 2015)

Part A1

<table>
<thead>
<tr>
<th>(1) Issue and/or relevant Basel paragraph number(s)</th>
<th>(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)</th>
<th>(3) Detailed reference to the domestic legislation/regulation that addresses the finding</th>
<th>(4) Summary description of amendment or rectification made</th>
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1 To be completed only for those findings where action has been taken or initiated. Any plans for addressing other findings may be indicated in Part B.
Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)  

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Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to Liquidity Coverage Ratio (RCAP-LCR)  

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Part B

**RCAP risk-based capital**

Saudi Arabia was assessed as compliant for the implementation of risk-based capital. Saudi Arabian Monetary Authority (SAMA) had implemented the majority of the recommendations suggested by the RCAP Assessment Team during the assessment. These rectifications were listed in Annex 6 of the report².

There was one potentially material finding related to the application of 0% risk weight for Gulf Cooperation Council (GCC) exposures, which is not fully in line with the paragraph 54 of the Basel II standard as some countries (Bahrain, Oman) in GCC did not have a AAA-AA rating. At present, these exposures are still not material and SAMA does not expect these exposures to increase in future.

**RCAP LCR**

Saudi Arabia was assessed as largely compliant for LCR as certain conditions for High Quality Liquid Assets (HQLA) were not completely fulfilled in Saudi Arabia, of which despite being AA rated country, lacked a large, active and deep market in Government bonds and T-bills, which was a requirement of LCR rules to be fully compliant. This criteria would not have been relevant had Saudi Arabia been a low rated emerging market country. SAMA has raised this anomaly in Rules to the Basel Committee and requested that it deliberate on the rules and provide further clarification. Apart from this, SAMA had already implemented all the recommendations suggested by RCAP Assessment Team during the assessment. These rectifications were listed in Annex 5 of the report³.

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² See www.bis.org/bcbs/publ/d335.pdf.
³ See www.bis.org/bcbs/publ/d336.pdf.