

**Saudi Banks Comments on the BCBS Consultative Document
regarding Longevity Risk Transfer Markets: Market Structure,
Growth Drivers and Impediments, and Potential Risks**

Bank # 1

We believe that the proposed recommendations would generally be applicable to more developed countries where private organizations operate defined benefit type pension schemes. Such schemes require the sponsor of the pension scheme to cover the risks mentioned in the BSCS document above. At the present time, Saudi Banks very seldom sponsor any defined benefit pension schemes.

Bank # 2

We have reviewed the document on Longevity risk transfer markets: market structure, growth drivers and impediments, and potential risks. The Bank carries this risk and is only exposed to such risk, minimally for staff employed in the bank's branches outside KSA. These are very few.

The Schemes have not yet been discussed in detail for the topic of transferring the longevity risk i.e. entering into a buyout, buy-in and longevity risk swap products.

The Bank is well prepared should this risk get material as described below:

- As a practice, the trustees and the Bank carry the longevity risk i.e. the risk that people live longer.
- The trustees have appointed appropriate advisers and a scheme actuary who have the expertise.
- This matter is reviewed on a triennial basis as part of the actuarial valuation and the trustees are also updated with current issues. These include changes in longevity views and risks as part of their meetings. The bank would also provide ad-hoc advice when it is appropriate.

Bank # 3

Longevity risk cannot be underestimated but will be more applicable to countries where there are major private pension funds which operate in sophisticated and mature insurance markets. Public Pension plans in developing countries will probably be impacted by longevity risk. However, we would expect that for government owned institutions the necessary action would be taken by them to mitigate this risk.

In development countries, the insurance industries are major facilitators in the longevity risk transfer markets. In this respect, many emerging market countries are developing their own private plans in the insurance market but still only offers basic insurance products. To develop the level of maturity, an ability to transact in longevity risk, as well as having the necessary insurance/reinsurance capacity would take a considerable time to achieve.

All insurance products offered in the Islamic countries have to be Shariah compliant. The application of three different transaction options to transfer longevity risk as stated in the document, namely 'buy in', 'buy out' and 'longevity swaps' would have to be studied to ensure they are in compliance to the Shariah requirements.

We have also reviewed the document from the perspective of the Bank's pension fund arrangements and have no comments to make.

Bank # 4

We believe that most of the longevity risk is held by public sector entities in emerging market countries. On the other hand, emerging market banks do not generally act as intermediaries in longevity risk transfer transactions. However, even if such risk existed, banks in KSA are generally not the ultimate holders of longevity risk exposure.