

Fahad Almubarak: Top achievements of the monetary sector during the past decade

Speech by H E Dr Fahad Almubarak, Governor of the Saudi Arabian Monetary Agency, at the National Day, Riyadh, 25 September 2014.

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Our beloved country is celebrating its 84th national day, which is very dear occasion to all of us. The march of welfare and building continues under the prudent leadership of the Kingdom. SAMA's employees are overwhelmed with happiness on this occasion in light of the achievements of the monetary policy by focusing on the interests of the country and citizens.

SAMA's balanced monetary policy has contributed to strengthening the stability of the national economy during stages of global stress and turbulence. As a result, the credit rating of the Kingdom of Saudi Arabia has been upgraded. Fitch upgraded the Kingdom's sovereign credit rating to AA from AA- with a stable outlook.

Over the past ten years, the banking sector witnessed a great development quantitatively and qualitatively. M3 rose by 270 percent to SAR 1,669.3 billion at the end of July 2014 against an increase of SAR 451.3 billion at the end of July 2004. Total bank deposits also went up by 284.5 percent to SAR 1,520.6 billion in the same period. Total commercial banks' claims on the private and public sectors grew by 193.3 percent to SAR 1,314.4 billion at the end of July 2014 compared to SAR 447.8 billion at the end of July 2004. All these developments contributed to the growth of the Kingdom's economy and enhanced the stability of its financial sector.

Domestic banks' capital adequacy ratio (Basel Standard) stood at 17.8 percent at the end of the second quarter of 2014, exceeding the prescribed rate of 8 percent. In addition, stress tests conducted periodically by SAMA on commercial banks showed good results.

Banking services witnessed further expansion throughout the Kingdom. Commercial banks' branches increased by 53.8 percent to 1,862 at the end of July 2014, compared to 1,211 at the end of July 2004.

In recognition of the importance of using latest technological developments in the banking field, SAMA worked with domestic banks on the introduction of the latest secure banking technology. In this regard, the value of transactions carried out through SARIE system picked up to SAR 54.6 trillion in 2013 from SAR 8.1 trillion in 2004. Moreover, the total number of transactions executed through ATMs went up to 1,335.5 million in 2013 from 412.1 million in 2004. During the same period, the total number of transactions carried out through POS terminals increased to 294.1 million with a total value of SAR 144.3 billion from 52.1 million with a total value of SAR 23.9 billion. The number of bills paid through SADAD system increased to 160.8 million with a value of SAR 176.6 billion in 2013 from 43.5 million with a value of SAR 22.0 billion in 2007.

Within the framework of its supervisory and oversight functions over the insurance sector, SAMA considered many files of insurance companies. By the end of 2013, SAMA licensed 35 insurance and reinsurance companies. Besides, SAMA approved 194 offices to provide insurance related services.

SAMA issued a number of regulations and rules to regulate the activities of the financing sector in the Kingdom, improve its services, promote governance and transparency, protect the rights of its beneficiaries and create a competitive environment to contribute to provision of better financing services to meet the needs of the market and beneficiaries at competitive prices. Up to the end of July 2014, SAMA licensed 12 banks and 4 companies to conduct the activity of real estate finance and financial leasing, and 4 companies to carry out other

financing activities. SAMA also granted initial approvals on 11 applications for licensing pending the completion of the legal requirements of the Ministry of Commerce and Industry.

At the international level, the Kingdom holds a prominent position. It is an active member of the G20 since its establishment and of several international financial organizations. SAMA represents the Kingdom in a number of international forums and institutions, such as the Bank for International Settlements, the Financial Stability Board, Basel Committee, the International Association of Insurance Supervisors, the Islamic Financial Services Board and the Gulf Monetary Council. Currently, SAMA is participating in more than 25 committees, working groups and sub-committees in international commissions and organizations. SAMA effectively contributes to the efforts exerted in international regulatory reforms, enabling SAMA to cope with the latest developments and international standards in supervision and control.

On this occasion, I pray to Almighty Allah to preserve the security and stability of our country and may the Kingdom's continue its development march under the wise leadership of the Custodian of the Two Holy Mosques, Crown Prince and Deputy Crown Prince.