

Regulation of Commercial Banks

Regulation on commercial banks

- Saudi Arabian Monetary Agency (SAMA) is responsible for ensuring soundness of the banking system
- Granting licenses,
- Issuing effective policies, and regulations and
- Carrying out inspection and supervision
- to ensure the banking sector's compliance with regulations

Regulation on commercial banks

- Take deterrent actions and establish justice in cases of noncompliance therewith.

Regulation on commercial banks

- **Functions and Responsibilities of the Banking Control Department:**
- • **Developing the regulatory and supervisory framework and issuing guidelines on tasks of supervision and on operations and procedures of inspection.**
- • **Developing and issuing policies pertaining to the banking sector and rules for granting licenses.**
- • **Exercising off-site supervision over domestic banks, money exchangers and branches of foreign banks in pursuance of procedural manuals and risk-based supervision.**
- • **Exercising on-site inspection of domestic banks, money exchangers and branches of foreign banks.**

Regulation on commercial banks

- Rules on credit risk management
- Rules on large exposures
- Rules on stress testing
- Criteria for systematically important payment systems in KSA
- Instructions for outsourcing
- Regulations for consumer financing

Regulation on commercial banks

- E-banking rules
- Compliance manual for banks working in KSA
- Commercial banks accounting standards
- Powers and responsibilities of members of the board of directors of Saudi commercial banks

Credit risk management

- Banks should ensure to have in place adequate systems and procedures for credit risk management including those for credit origination, limit setting, credit approving authority, credit administration, credit risk measurement and internal rating framework, credit risk monitoring, credit risk review, and management of problem credits

Rules on large exposures

- Maximum exposure to a single counterparty:
- Not higher than 15% of bank's available eligible capital base at all times.
- Group of connected parties:
- Not higher than 15% of bank's available eligible capital base at all times.

Rules on large exposures

- ***Individuals/Sole proprietors/Partnerships:***
The sum of all the exposures values a bank has to an individual or a sole proprietorship or a partnership must not be higher than 5% of the bank's available eligible capital base at all times.

Rules on large exposures

- ***Banks:*** The sum of all the exposures values a bank has to another bank must not be higher than 25% of the lending bank's available eligible capital base at all times.
- **Aggregate Large Exposures:** The aggregate of all Large Exposures shall not exceed 6 times of the bank's eligible capital.

Regulations on consumer financing

- The Financing is for purposes unconnected with the Borrower's commercial or professional activity, generally including personal Financing, car Financing, home improvement Financing, and similar products
- as approved by SAMA.