

**PROGRESS REPORT FROM SAUDI ARABIAN MONETARY AGENCY ADDRESSING LEGAL  
BARRIERS TO REPORTING OF, AND ACCESS TO, OTC DERIVATIVES TRANSACTIONS DATA**

**JUNE 2016**

## **I. Background**

- OTC Derivatives (OTCD) transactions are primarily carried out by local Banks with Large Corporates, Private Business Groups and High Networth Individuals. The Banks also carryout such transactions with major International Banks and Financial Institutions in regional and international markets.
- The value of all OTCD contracts traded in 2014 was a notional SAR 2.6 Trillion (\$690 billion), an amount equal to approximately 0.11% of global OTCD market.
- Fx and Interest Swaps represent about 85% of the total activity.
- OTCD transactions between Saudi corporates and business entities and International Banks and Investment firms that are booked offshore are not reflected in this report.

## **II. Progress in Meeting FSB Recommendations**

- In 2012, Saudi Arabian Monetary Agency (SAMA) has required the Banking Industry to develop standard contracts for OTCD transactions. This was successfully implemented in 2012.
- Also in 2012, SAMA created the Saudi Arabian Trade Repository (SATR) and has required Banks to submit all transactional data.
- SAMA has developed an internal Reporting system to use such data for supervision purposes.
- In 2012, SAMA took a position that the OTCD volumes in KSA did not justify an electronic exchange or the creation of a Central Counterparty (CCP). This decision is currently under study by Tadawul (Saudi Stock Exchange), which is considering acting as a future CCP for OTCD.

## **III. Progress in Relation to Addressing Legal Barriers to Reporting of and Access to OTCD**

- This section contains the specific progress made by Saudi Arabia in relation to the Recommendations contained in the FSB Peer Review Report on "*Thematic Review on OTCD Trade Reporting*" dated 4<sup>th</sup> November 2015.

### **1. Comprehensive Reporting**

- 1A. Saudi Arabia has implemented the Trade Reporting requirements in December 2012 by creating the Saudi Arabian Trade Repository under SAMA.
- 1B. The current Reporting requirements cover all Fx and Interest Rate transactions that represent about 85% of all OTCD transactions. SATR is currently looking into inclusion of other OTCD transactions related to equities and commodities in the TR.

## 2. Barriers to Reporting Information into TR or TR like Entities

- 2A. Currently, there are no barriers to full reporting of TR information (including counterparty information). The current reporting meets SAMA requirements although relevant foreign authorities requirements need to be arranged through SAMA.
- 2B. There is no legal or regulatory requirement that a trade participant (Bank or FI) must obtain a counterparty consent to report trade data. Therefore, no legal or regulatory change is required.
- 2C. There is no masking of newly reported transactions, and SATR is able to obtain all the information.

## 3. Authorities Access to TR held Data

- 3A. There are no legal restrictions for domestic supervisory authorities to have access to TR data. Such access can be provided between the primary and secondary supervisory authorities under an existing MOU.

Access to SATR data by foreign supervisory authorities can be arranged between SAMA and the relevant foreign authorities through an MOU. Such access is normally granted on a reciprocal basis.

- 3B. In Saudi Arabia, SAMA and the Capital Market Authority (CMA) are the two relevant authorities. An MOU covering, among others, the exchange of supervisory information, already exists between the two regulators.
- 3C. The Saudi Arabian Trade Repository is currently operated and managed by a Department in SAMA, which is the Central Bank and the Banking, Insurance, and Finance Companies Supervisory Authority. Consequently, all TR held data is available to SAMA.

## 4. Usability of TR Data

- 4A. SAMA is working with SATR and the Banks (the only financial intermediaries in the domestic OTCD Market) to improve the quality of the data. This includes data validation activities and inspection of data provided by the Banks.
- 4B. Saudi Arabia is committed to the projects related to Universal Global Identifiers (such as LEI, UPI and UTI) and harmonized data standards. SAMA is working with relevant authorities and institutions to promote these standards.
- 4C. SAMA is currently planning a complete review of the access, process and interpretation of the TR data.

## Saudi Arabia Supplementary Response

SAMA has authorised Saudi banks participating in OTC Derivatives activities to report to foreign regulatory authorities as and when required.

If there were any foreign legal or regulatory requirements for Saudi banks to submit information to a foreign TR, such requirements would be accommodated.

While there have been no requests for exchange of information by a foreign TR, such requests can be dealt with on a reciprocal basis subject to MOUs.