



# REFINITIV BENCHMARK SERVICES(UK) LIMITED

SAUDI ARABIAN INTERBANK OFFERED RATE (SAIBOR)  
BENCHMARK STATEMENT

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# 1. INTRODUCTION

The Saudi Arabian Interbank Offered Rate (“SAIBOR” or “Benchmark”) is a daily benchmark reference rate representing the rate at which contributor banks (each a “Contributor”) would be able to borrow unsecured interbank funds in Saudi Riyals. The Saudi Riyal deposit market and related markets exist primarily within Saudi Arabia. Refinitiv Benchmark Services (UK) Limited is the administrator of SAIBOR (“RBSL” or “Administrator”). SAIBOR is an interest rate benchmark subject to the UK Benchmark Regulation<sup>1</sup> (“BMR”).

RBSL has adopted policies and procedures to comply with these regulations, including the requirements of Annex I of the BMR that specifies specific regulatory regime for interest rate benchmarks; an independent oversight committee; an independent external audit of compliance with the benchmark methodology and BMR. Annex I of the BMR sets out the requirements for the Contributors’ systems and controls, which must include:

- An outline of responsibilities within each firm, including internal reporting lines and accountability, including the location of submitters and managers and the names of relevant individuals and alternates;
- Internal procedures for sign-off of contributions of input data;
- Regular internal reviews of input data and associated procedures;
- Disciplinary procedures for actual or attempted manipulation of the benchmark;
- Effective conflicts of interest management procedures and communication controls;
- Physical separation of submitters from interest rate derivatives traders and rules against collusion;
- Measures to prevent, or limit, inappropriate influence over persons involved in the provision of input data;
- No direct link between the remuneration of employees involved in the provision of input data and the remuneration of, or revenues generated by, persons engaged in another activity where a conflict of interest may arise;
- Controls to identify any reverse transaction subsequent to the provision of input data;
- Detailed record-keeping in relation to a bank’s SAIBOR contributions; and
- The compliance function reporting any findings to management on a regular basis.

All of these requirements are included within the Contributors Code of Conduct. All Contributors are required to acknowledge in writing via an attestation and an annual compliance certification that they have read the Code and comply with it.

SAIBOR is not considered a “critical” benchmark for the purposes of Article 20 in the BMR and is not considered a “significant” benchmark for the purposes of Article 24 in the BMR.

SAIBOR is calculated using input data submissions (each a “Contribution”) by a panel of Contributor banks<sup>2</sup>. Further to the SAIBOR Methodology Change Announcement<sup>3</sup> issued by RBSL on 3<sup>rd</sup> December 2021, each Contributor will transition from the original SAIBOR Methodology (“Legacy Methodology”) to a new SAIBOR Methodology (“Enhanced Methodology”) during a transition period starting on 2<sup>nd</sup> January 2022. One Contributor will transition to the Enhanced Methodology each week and the transition period will last for approximately 12 weeks. In addition, the Methodology Change Announcement noted that from 2<sup>nd</sup> January 2022 the Contribution window will move to 11:00 – 11:50am KSA

<sup>1</sup> [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#)

<sup>2</sup> See the SAIBOR Methodology for a list of the panel banks

<sup>3</sup> [www.refinitiv.com/content/dam/marketing/en\\_us/documents/methodology/saibor-methodology-change-announcement.pdf](http://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/saibor-methodology-change-announcement.pdf)

time, that the publication SAIBOR will move to 12:00pm KSA time and that Refinitiv would begin to calculate and distribute SAIBID on behalf of its Riyadh Bank. At the conclusion of the transition period, RBSL will become the administrator of SAIBID.

**Under the Legacy Methodology**, each Contribution is the rate at which the respective Contributor would be able to borrow unsecured funds in Saudi Riyals were they to accept offers in reasonable size from other banks in the SAIBOR panel at 11:00am Riyadh time.

**Under the Enhanced Methodology**, each Contribution is a volume-weighted average price (VWAP) of eligible unsecured transactions involving eligible counterparties subject to a waterfall that includes transactions in a related market and ultimately expert judgment. As SAIBOR is representative of the offered side of the market but transactions involving a wide range of counterparties are typically representative of the bid side of the market, Contributor banks will add a fixed spread percentage of 16% to the VWAP calculated using the transacted rates before making a SAIBOR Contribution. The Benchmark Definition under the Enhanced Methodology is:

*The Saudi Arabian Interbank Offered Rate (“SAIBOR”) benchmark is an indicative offer rate at which contributor panel banks would be able to borrow unsecured interbank funds in Saudi Riyals, anchored in transactions where possible together with a historical spread adjustment. A waterfall methodology is applied to enable a rate to be published in a wide range of market circumstances.*

SAIBOR comprises six tenors: overnight, 1 week, 1 month, 3 months, 6 months and 1 year. Access to the Saudi Riyal interbank deposit market required for the Legacy Methodology is limited to banks active in Saudi Arabia.

SAIBOR is considered to be reliable provided that

- there is activity in the underlying unsecured Saudi Riyal deposit market, or in other unsecured instruments, or in the related markets, as per the methodology, that allows Contributors to establish a representative market level for unsecured Saudi Riyal interbank deposit interest rates when making contributions, and
- the panel of Contributors is sufficiently representative of the banks active in the Saudi Riyal unsecured deposit market.

Both conditions should be satisfied in order for SAIBOR to be a reliable reference rate for unsecured interbank deposits in Saudi Riyals (for the Legacy Methodology) or for wholesale funding rates (for the Enhanced Methodology). The panel banks as listed in the SAIBOR Methodology are cover a large portion of the Saudi Arabia market, and as such are representative of the banks active in the unsecured deposit market in Saudi Riyals in Saudi Arabia.

This benchmark statement shall be reviewed at least every two years, or whenever there is a material change to either the type of the benchmark or to the Methodology used in the determination of the benchmark. A revised benchmark statement will be published once the transition period has concluded.

## 2. OVERVIEW OF METHODOLOGY

Input data for the determination of SAIBOR is contributed by a panel of Contributors for each of the SAIBOR tenors (overnight, 1 week, 1 month, 3 months, 6 months and 1 year).

**Under the Legacy Methodology**, each Contribution is the rate at which the Contributor would be able to borrow unsecured funds in Saudi Riyals were they to accept offers in reasonable size from other banks in the SAIBOR panel at 11:00am Riyadh time.

Each Contribution by each Contributor for each SAIBOR tenor shall be based on a Contributor's transactions in the

underlying unsecured Saudi Riyal deposit market. If not sufficient, Contributions shall be transactions where available such as other unsecured instruments including certificates of deposit and commercial paper, and other markets such as overnight index swaps, repo transactions, foreign exchange forwards and interest rate futures and options.

In the absence of transactions in such related instruments and markets, the Contributor may refer to observations of third-party transactions in such related instruments and markets, then refer to committed quotes and then to indicative quotes or expert judgment.

**Under the Enhanced Methodology**, a waterfall is used by the existing panel of Contributors when making Contributions to RBSL for the determination of SAIBOR. The waterfall comprises three levels as described below.

Level one of the Enhanced Methodology uses volume weighted average prices from eligible wholesale funding transactions from counterparties including banks, central banks, government related entities, nonbank financial institutions, corporates and, subject to a minimum threshold, retail clients.

Level two of the Enhanced Methodology uses volume weighted average prices from eligible repo transactions (excluding repo transactions with SAMA) in which the collateral may be any type of Saudi Riyal fixed income security and the same range of eligible counterparties as per Level 1 applies. Contributors shall use expert judgment to apply a spread to such repo transactions to reflect the difference in the rate of secured repo transactions and the unsecured nature of SAIBOR.

Level three of the Enhanced Methodology requires the use of expert judgment by the individual Contributors subject to submission procedures developed by each Contributor and where such submission procedures are subject to an appropriate level of internal governance and oversight.

As SAIBOR is representative of the offered side of the market but transactions involving a wide range of counterparties are typically representative of the bid side of the market, Contributors using the Enhanced Methodology will add a spread percentage of 16% to the transacted rates derived from levels one and two of the waterfall before making a SAIBOR Contribution. Level 3 submissions will use expert judgment of the rate of unsecured eligible transactions had any occurred and will include the 16% spread percentage. The 16% spread percentage has been established as the historical spread between SAIBOR and the bid side of the market (represented by SAIBID) over all tenors and over five years. The Enhanced Methodology will include a process for reviewing the Spread Percentage from time to time and, should market conditions require it, a process for the introduction of a cap ("Spread Cap") to the spread calculated using the Spread Percentage. The mechanism for both is specified in the Enhanced Methodology document.

If five or more Contributions are received (**under either the Legacy Methodology or the Enhanced Methodology** depending on the transition status of each Contributor during the transition period), the Contributions shall be ranked, the highest two and lowest two discarded and the remaining rates averaged to determine SAIBOR at each tenor. If fewer than five Contributions are received, the benchmark will not be calculated or published.

Contributors may make and amend Contributions during the Contribution window from 11:00am KSA to 11:50am KSA. In the event that fewer than five Contributions are received by 10:50am KSA, the Contribution window will be extended to 12:30pm KSA. If five Contributions have not been received by 12:30pm KSA, the previous benchmark setting will be republished with a notification of republication at 12:30pm KSA.

Subject to receiving at least five Contributions, SAIBOR is determined and published by RBSL at 12:00pm KSA or, if the Contribution window have been extended, at 12:30pm KSA. If an error is identified in the calculation or in the published benchmark before 1:00pm KSA, RBSL will use reasonable efforts to refix the benchmark by 1:00pm KSA. The benchmark will not be refixed if a Contributor identifies an error in its Contribution after the publication time.

No models or method of extrapolation or interpolation are used by RBSL when determining SAIBOR. Further, SAIBOR is not determined by means of a portfolio of constituents.

No discretion is exercised by RBSL in the determination of SAIBOR. In the absence of their own transactions in the underlying unsecured Saudi Riyal deposit market and other permitted instruments, **for the Legacy Methodology** Contributors will use observations of third-party transactions, committed quotes, indicative quotes and then expert judgment informed by market data or by other relevant references. **For the Enhanced Methodology**, Contributors will first use Level 2 and then Level 3 of the waterfall.

The SAIBOR Contributor Code of Conduct requires Contributors to have written submission procedures, policies, templates and records in place which should include a clear description of the input data, including the type of data taken into account in determining the Contribution, and is made available to RBSL upon request.

Expert judgement used by Contributors in determining a Contribution is evaluated ex post by RBSL using, primarily, monitoring and surveillance controls and requesting Contributor documentation and records as required.

Where expert judgment is used by the Contributor in accordance with the Methodology, the Contributor Code of Conduct requires that expert judgment shall be free from any undue or improper influence and shall not, for greater certainty, take into consideration any factors that would be contrary to the “Improper Market Conduct” or “Conflicts of Interest” provisions of the SAIBOR Contributor Code of Conduct.

The benchmark does not have corresponding ISINs. The Benchmark is determined using contributed input data and is an interest rate benchmark as per the BMR. Consequently, the Benchmark is not any of the following types of benchmark as specifically defined by the BMR: readily available data, regulated data, or commodity.

### 3. POTENTIAL LIMITATIONS OF THE BENCHMARKS

Determination of SAIBOR is dependent on receiving sufficient input data from Contributors for each SAIBOR tenor. Technical problems or extreme market events may lead to an insufficient number of Contributions, resulting in no calculation or publication of SAIBOR. Further, RBSL considers that five contributing panel banks is a realistic minimum to ensure reliable Contributions and avoid concentration in sources of input data.

There may also be insufficient market liquidity to support the panel banks when making Contributions. Contributors have a range of references to use when deciding on a rate for Contribution in accordance with the hierarchy described in both the Legacy Methodology and the Enhanced Methodology. These include transactions in the underlying unsecured Saudi Riyal deposit market and then related instruments and markets and, following that, observations of third party transactions, committed quotes, indicative quotes and then expert judgment informed by market data or by other relevant references.

The design of SAIBOR is therefore resilient in the event of a lack of liquidity in the underlying unsecured Saudi Riyal deposit market alone. However, an extreme market event may lead to a loss of liquidity across a range of markets, or to increased volatility in the spreads between related markets and the unsecured Saudi Riyal deposit market, preventing the Contributors from making the Contributions required for the determination of SAIBOR and resulting in no calculation or publication of SAIBOR.

### 4. METHODOLOGY CHANGES AND BENCHMARK CESSATION

The Legacy Methodology was adopted as being a reliable and resilient means for providing a benchmark that accurately represents interest rates in the unsecured Saudi Riyal interbank deposit market. However, it is RBSL's assessment that by reflecting transactions in a wider range of wholesale funding instruments, the Enhanced Methodology will strengthen the representativeness of SAIBOR with respect to actual funding levels experienced by major banks active in the market for unsecured Saudi Riyals and will further anchor SAIBOR in actual transactions to the extent possible.

The SAIBOR Methodology is subject to a review in order to assess its ongoing fitness for purpose on at least an annual basis. In the event that the review leads RBSL to believe that a change to the Methodology is required and that the change is material in its effect on the benchmark, a market consultation will be conducted in accordance with the RBSL Methodology Change Procedures in order to seek feedback from a representative range of stakeholders. RBSL will review all feedback and, if following such review it resolves to proceed with the proposed changes, RBSL will provide sufficient notice to users of the benchmark before implementing such changes.

Circumstances beyond the control of RBSL may necessitate an immediate change to or the cessation of the benchmark. Such circumstances include without limitation (i) a loss of liquidity in the underlying unsecured Saudi Riyal deposit market and similar markets, or in the related markets used to inform expert judgment and (ii) a loss of Contributors such that a representative panel of banks cannot be maintained.

In the event that an immediate change is required, RBSL will provide as much notice as is practicable and following such change will conduct an internal review of the Methodology.

If it becomes necessary to cease calculation and distribution of the benchmark, RBSL will implement the [RBSL Benchmark Cessation Policy](#). This includes conducting an analysis of the estimated usage of the benchmark and, where feasible, the selection of a credible alternative benchmark. In all cases, RBSL will take all reasonable steps to ensure that all users and other stakeholders are made aware as soon as possible of any intention or possible necessity to cease the benchmark.

Any material change to the Methodology or cessation of the benchmark may have an impact on any financial contract or financial instrument that references the benchmark or on the measurement of the performance of an investment fund that uses or refers to the benchmark. A material change to the Methodology may lead to a change in the economic reality represented by the benchmark and therefore to the economic exposure of any financial contract or financial instrument that references the benchmark. A cessation of the benchmark would require the selection of an alternative benchmark or the implementation of any fallback procedures for financial contracts or financial instruments that reference the benchmark. Any financial contracts or other financial instruments that reference the benchmark should be able to withstand, or otherwise address the possibility of changes to, or cessation of the benchmark.

## 5. FURTHER INFORMATION

The Legacy Methodology, Enhanced Methodology and Contributor Code of Conduct documents provide additional information and definitions of key terms and are available on RBSL's website: [www.refinitiv.com/en/financial-data/financial-benchmarks/interest-rate-benchmarks/saibor-rates](http://www.refinitiv.com/en/financial-data/financial-benchmarks/interest-rate-benchmarks/saibor-rates).

For further information about SAIBOR, please contact RBSL at [index\\_queries@refinitiv.com](mailto:index_queries@refinitiv.com).

Refinitiv is one of the world's largest providers of financial markets data and infrastructure, serving over 40,000 institutions in approximately 190 countries. It provides leading data and insights, trading platforms, and open data and technology platforms that connect a thriving global financial markets community – driving performance in trading, investment, wealth management, regulatory compliance, market data management, enterprise risk and fighting financial crime.