

Refinitiv Benchmark Services (UK) Limited

Benchmark Statement

Saudi Arabia Interbank Offered Rate (SAIBOR)

Date of issue: 12 August 2020

Contents

Introduction	3
Overview of Methodology	3
Potential Limitations of the Benchmark	4
Methodology Changes and Benchmark Cessation	5

© Refinitiv 2020. All Rights Reserved.

Refinitiv, by publishing this document, does not guarantee that any information contained herein is or will remain accurate or that use of the information will ensure correct and faultless operation of the relevant service or associated equipment. Neither Refinitiv, nor its agents or employees, shall be held liable to any user or end user for any loss or damage (whether direct or indirect) whatsoever resulting from reliance on the information contained herein.

This document may not be reproduced, disclosed, or used in whole or part without the prior written consent of Refinitiv.

Introduction

The Saudi Arabia Interbank Offered Rate (“SAIBOR” or “the benchmark”) is a daily benchmark reference rate for unsecured interbank deposits in Saudi riyals. The Saudi riyal interbank deposit market exists primarily within Saudi Arabia. Refinitiv Benchmark Services (UK) Limited is the administrator of SAIBOR (“RBSL” or “the Administrator”).

SAIBOR is an interest rate benchmark subject to the EU Benchmark Regulation¹ (“BMR”) (“Interest Rate Benchmarks”). RBSL has adopted policies and procedures to comply with this Regulation. SAIBOR is not considered a “critical” benchmark for the purposes of Article 20 in the EU BMR.

SAIBOR is calculated using input data (each a “Contribution”) submitted by a panel of banks² (each a “Contributor”). Each Contribution is the rate at which each 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. SAIBOR comprises six tenors: overnight, 1 week, 1 month, 3 months, 6 months and 1 year. Access to the Saudi riyal interbank deposit market 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 interbank deposit market or in other unsecured instruments or in related markets 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 interbank deposit market.

Both conditions should be satisfied in order for SAIBOR to be a reliable reference rate for unsecured interbank deposits in Saudi riyals. The panel banks as listed in the SAIBOR Methodology are representative of the banks active in the unsecured interbank deposit market in Saudi riyals in Saudi Arabia.

This benchmark statement shall be updated whenever there is a material change to either the type of the benchmark or to the Methodology used in the determination of the benchmark.

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). 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 anchored in a Contributor’s transactions in the underlying unsecured Saudi riyal deposit market. If not sufficient, Contributions shall be anchored in transactions in related markets 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.

¹ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016

² See the SAIBOR Methodology for a list of the panel banks

If five or more Contributions are received, 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 10:00:00am AST and 10:29:59am AST. Late Contributions made after 10:29:59am AST but before 10:59:59am AST will be included in the SAIBOR calculation. In the event that fewer than five Contributions are received by 10:59:59am AST, the contribution window will be extended to 11:30:00 AST. If five Contributions have not been received by 11:30:00 AST, the benchmark will not be calculated or published.

Subject to receiving at least five Contributions, SAIBOR is determined and published by RBSL at 11:00:00am AST or, if the contribution window have been extended, at 11:30:00 AST. If an error is identified in the calculation or in the published benchmark before 12:00:00 AST, RBSL will use reasonable efforts to refix the benchmark by 12:00:00 AST. 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, 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.

The SAIBOR Contributor Code of Conduct requires Contributors to have written procedures in place to ensure that all relevant input data is provided to RBSL, and should include a clear description of the input data, including the type of data taken into account in determining the Contribution. 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.

Potential Limitations of the Benchmark

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 submission in accordance with the hierarchy described in the SAIBOR 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.

Methodology Changes and Benchmark Cessation

The SAIBOR Methodology has been 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.

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 change or changes, will provide sufficient notice to users of the benchmark before implementing such change or 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 interbank 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.

Further Information

The following documents used in the determination and administration of SAIBOR are available on RBSL's [website](#):

- SAIBOR Methodology
- SAIBOR Contributor Code of Conduct

For further information about SAIBOR, please contact RBSL at index_queries@refinitiv.com.