

# REFINITIV BENCHMARK SERVICES (UK) LIMITED

## Methodology Change Announcement

### Saudi Arabian Interbank Offered Rate (SAIBOR)

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## 1. Introduction

The Saudi Arabian Interbank Offered Rate (“SAIBOR” or the “Benchmark”) is a daily benchmark reference rate for unsecured interbank deposits in Saudi Riyals.

SAIBOR is administered by Refinitiv Benchmark Services (UK) Limited (“RBSL”) in accordance with the UK Benchmarks Regulation<sup>1</sup> (“BMR”) and is also compatible with the IOSCO Principles for Financial Benchmarks. RBSL is incorporated in England and Wales with company number 08541574 and is a wholly owned subsidiary of Refinitiv Limited (“RL”), itself a wholly owned subsidiary within the London Stock Exchange Group. As Administrator, RBSL is responsible for collecting input data, determining and publishing the Benchmark and for the compliance and integrity of the Benchmark. RBSL is authorized and regulated in the UK by the Financial Conduct Authority (“FCA”), FCA Reference Number 610678.

The Saudi Riyal interbank deposit market together with users of SAIBOR as a reference in financial products are located primarily within the Kingdom of Saudi Arabia. For the purposes of BMR which makes reference to usage of SAIBOR in financial products within the United Kingdom only, SAIBOR is assessed as being a non-significant benchmark.

On 15 November, RBSL published a consultation<sup>2</sup> regarding proposed changes to the methodology of SAIBOR (“Enhanced Methodology”). The consultation ran until 29 November 2021. RBSL has received no feedback expressing any concerns regarding the proposed changes.

**Consequently, RBSL will now proceed with the proposed changes with a gradual transition to the Enhanced Methodology starting on 2 January 2022 and extending over around twelve weeks.**

## 2. SAIBOR Methodology Changes

The Enhanced Methodology developed for SAIBOR introduces a waterfall to be used by the existing panel of contributor banks when making submissions 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, non-bank financial institutions, corporates and, subject to a minimum threshold, retail clients.

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<sup>1</sup> Following the UK’s withdrawal from the EU and the end of the transition period, the BMR has been onshored and brought into UK law (UK BMR). The UK BMR is [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#).

<sup>2</sup> [www.refinitiv.com/content/dam/marketing/en\\_us/documents/methodology/saibor-methodology-consultation.pdf](http://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/saibor-methodology-consultation.pdf)

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 Level 1 applies. Contributor banks 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 contributor bank or banks subject to submission procedures developed by each contributor bank 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, contributor banks will add a spread percentage of 16% to the transacted rates derived from levels one and two of the waterfall before making a SAIBOR submission. (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<sup>3</sup>. The 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 will be specified in the methodology document.

In order to minimise disruption, transition to the Enhanced Methodology will be done in a gradual manner over a period of around twelve weeks starting on 2 January 2022 during which contributor banks adopt the Enhanced Methodology on a staggered basis. **At the start of the period for the transition to the Enhanced Methodology on 2 January 2022, the publication of SAIBOR will be moved by one hour from 11:00am KSA to 12:00pm KSA** (subject to any delay procedure to be specified in the methodology). Following this move, SAIBOR will be in respect of a transaction data collection window that ends as of 11:00am KSA on the relevant publication day. In addition, under the Enhanced Methodology, if insufficient submissions are received for the determination of SAIBOR, the previous published value of SAIBOR would be republished together with a flag indicating republication.

During the transition period, the publication of individual submissions by contributor banks will be suspended. Publication of individual submissions will resume once the transition is complete.

Under the Enhanced Methodology, the following benchmark definition will be adopted: *The Saudi Arabian Interbank Offered Rate (“SAIBOR”) benchmark is an indicative offer rate at which contributor panel banks*

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<sup>3</sup> SAIBID is currently administered by a third party. As part of the transition to the Enhanced Methodology, RBSL will assume responsibility for calculating and publishing SAIBID. SAIBID will transition to the Enhanced Methodology over the same period and in the same manner as SAIBOR (but without the 16% percentage spread that is proposed for SAIBOR submissions only).

*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.*

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.

### 3. Next Steps

The transition to the Enhanced Methodology will commence on 2 January 2022 at which time the publication time of SAIBOR (and SAIBID) will move to 12:00pm KSA. Banks will move individually from the current methodology to the Enhanced Methodology over the following twelve weeks. There will be only one SAIBOR (and SAIBID) benchmark published before, during and after the transition.

Although the public consultation has closed, RBSL remains interested in further comments or feedback from stakeholders regarding these agreed changes. Any enquiries should be sent to [index\\_queries@refinitiv.com](mailto:index_queries@refinitiv.com) and include 'SAIBOR' in the email subject line.