

Executive summary

01 Inevitable focus on capital and liquidity requirements

Mega projects planned in the Kingdom, valued at over US\$750 billion, will place exceptional demands on money supply and the banking sector. Liquidity requirements will increase considerably in the short to medium term and banks will need to adopt aggressive expansionary strategies to meet obligations while maintaining sufficient liquidity. We look at how banks can respond to high liquidity demand while capitalizing on opportunities to pivot towards profit-making and growth.

03 Audit quality as a cornerstone for transparency

Rapid change and disruption in the business environment, coupled with greater scrutiny and increasing demand of all stakeholders means audit quality has never been more important. We explore how new technologies, approaches, culture, and a focus on talent are delivering a more efficient and accurate auditing framework that is helping firms to rise to the challenge and perform audits that delivers across key metrics of quality, deliverables, and timing.

05 Regulating open banking

Digitization, banking-as-a-service, open banking, and the introduction of new technology is creating the need for tighter regulation, not only from the industry's perspective but also in the way third parties interact with it. Saudi Arabia's regulators have been busy developing frameworks and establishing rules and regulations across a plethora of related areas affected by the push to an open banking model, such as upholding consumer rights, data protection, cybersecurity, cloud, a unified data strategy, integration with existing regulatory framework of traditional banking, and the development of a stable and resilient system that protects banks, businesses, and consumers.

02 The carbon credits platform as a vital step towards net zero

A bold initiative by Saudi Arabia's PIF to establish the Voluntary Carbon Market (VCM) is a landmark in the Kingdom's energy transition and is viewed as a necessary component of achieving a net-zero economy by 2060. The VCM platform will allow companies to buy and sell carbon credits, helping all countries in the GCC region and the world to cut greenhouse gas emissions, reduced carbon footprint, meet climate obligations under the Paris Agreement, and mitigate climate change. For the banking industry, the debut of the VCM heralds the entrance of an influential region to the global carbon trading market and a shift in focus towards ESG and sustainability.

04 Fintech driving disruption and innovation

A new wave of pioneering applications and innovative tools is focusing on solving some of the major challenges in the financial services sector today, with investment and home-grown expertise contributing to an exciting new era that will push the boundaries of technology and finance. Saudi Arabia's fintech-friendly environment is reaping rewards, delivering efficiency, convenience, personalization, and access to data-driven services across every aspect of banking, from electronic payments and currency exchange to capital markets to business tools and information, and everything between.

06 Industry impact of emerging open banking models

The financial services ecosystem is making headway in turning the concept of open banking into reality, with measures underway to embed open banking standards into traditional banking practices in the Middle East, including the publication of a set of recommendations by SAMA. This briefing explores the two principal models of open banking – banking-as-a-platform (BaaP) and banking-as-a-service (BaaS) – and concludes with a call for greater collaboration and critical partnerships within the industry to seize the opportunities of the open banking domain for the benefit of all.

07 The move to cloud is gaining momentum

The advent of cloud computing is a key enabler in advancing open banking in the kingdom, allowing Saudi Arabia's banking industry to deliver best-in-class services to its customer base. However, banks still faced two main challenges; the first, the availability of domestic cloud supply that complies with SAMA's data sovereignty regulations, and the second, the quality of that supply. Now that cloud providers are allowed to enter the Kingdom and establish a cloud-based computing network, and several hyperscalers announcing plans to build cloud regions in the Kingdom, those challenges have dissolved away to leave perfect blue skies.

09 The roll-out of Basel III financial reforms

A state-of-play briefing on the implementation of Basel III final reforms, which cover credit risk, market risk, operational risk, credit value adjustment (CVA) and leverage ratio. The reforms conclude Basel III implementation from a regulatory standpoint, in line with the internationally agreed timeline set by the Basel Committee on Banking Supervision (BCBS), the global standard-setter for the prudential regulation of banks.

11 Countdown to global minimum taxation

After six years of negotiation and policy forming, the OECD/G20 Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) is finally entering its final chapter in addressing the tax challenges arising from the digitalization of the global economy. The right for jurisdictions to apply taxation and the introduction of a global minimum corporate tax rate of 15 percent means that nations will be able to protect their tax bases by forcing multinational enterprises to pay a fair share of tax wherever they operate. Saudi Arabia is one of 135 countries preparing for the new reforms by implementing global model GloBE rules.

08 Banking in the metaverse and the question of identity

With the launch of Web 3.0 imminent, the next seemingly small step – banking in the metaverse – is a natural progression. However, before that happens, we need to overcome several issues that may prove challenging, not because we lack the technological know-how but because many solutions require collaboration and consensus on standards, rules, and protocols. For example, proving the provenance of a virtual identity touches every aspect of banking. Just how will banks verify the identity of an avatar in the metaverse and connect it to an individual in the real world?

10 Evolving personal data protection requirements

The Personal Data Protection Law (PDPL), Saudi Arabia's first comprehensive generally applicable data protection law, will have a significant impact on the banking and financial services industry – need for tighter internal controls, and the setting of new policies and protocols. While most requirements are administrative in nature, the PDPL does impose general obligations on data controllers (and the entity) to ensure the security, accuracy and confidentiality of personal data which can extend to IT infrastructure, systems, and policy layers.

12 Responding to advancing financial fraud

Faced with increasingly sophisticated methods by criminals, the banking industry is using every means at its disposal to bolster fraud detection and prevention measures. Points of attention are the implementation of technologies such as analytics, AI and machine learning, systems, and new regulatory measures being used to combat financial fraud and cybercrime. On the regulatory front, the banking industry is tackling vulnerabilities with robust regulation, rigorous strategies, and management systems and policies. Further, SAMA has issued instructions to all banks to implement measures against financial frauds and to protect banking consumers and has set in place a Counter-Fraud Framework which banks must comply with fully by 2024.