

CONSULTATION PAPER

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Proposed Revisions to the Regulatory Framework for Large Exposures of Singapore-incorporated Banks

MAS

Monetary Authority of Singapore

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1 Preface

1.1 The Monetary Authority of Singapore (MAS) is seeking feedback on proposed revisions to the regulatory framework for large exposures of Singapore-incorporated banks. The proposed revisions take into account relevant aspects of the “Supervisory framework for measuring and controlling large exposures”¹, published by the Basel Committee on Banking Supervision (BCBS) in April 2014.

1.2 The proposals will apply only to Singapore-incorporated banks² and are intended to be implemented from 1 January 2019.

1.3 MAS invites comments from Singapore-incorporated banks and other interested parties. Please refer to Annex A for the list of questions.

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, along with their whole submission, to be kept confidential, please expressly state so in the submission to MAS. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.4 Please submit written comments by 12 February 2018 to –

Prudential Policy Department
Monetary Authority of Singapore
10 Shenton Way, MAS Building
Singapore 079117
Fax: (65) 62203973
Email: prudential_policy_dept@mas.gov.sg

1.5 We encourage electronic submission of feedback. We would be grateful if you would use the [suggested template](#) to help us to collate feedback more efficiently.

¹ BCBS’ press release: <https://www.bis.org/press/p140415.htm>

² Banks which are incorporated outside of Singapore will continue to be subject to the requirements under the existing MAS Notice 639 until the divide between the Domestic Banking Unit and Asian Currency Unit is removed.

2 Introduction

2.1 MAS sets out the regulatory requirements on large exposures of a bank under the Banking Act³ and MAS Notice 639 on Exposures to Single Counterparty Groups. The objective of these requirements is to limit the concentration and contagion risks arising from a bank's exposures to a counterparty or a single counterparty group.

2.2 In April 2014, the BCBS published its standard on "Supervisory framework for measuring and controlling large exposures" (henceforth referred to as "the Basel large exposures framework")⁴. The standard aims to limit the maximum loss that a bank faces in the event of a sudden counterparty failure, and complements the risk-based capital standard to safeguard a bank's solvency. According to the BCBS timeline, the Basel large exposures framework should be implemented by member jurisdictions by 1 January 2019.

2.3 MAS has considered the relevant aspects of the Basel large exposures framework and is proposing revisions to the regulatory framework for large exposures of Singapore-incorporated banks. These revisions will replace the requirements currently set out in MAS Notice 639 for the Singapore-incorporated banks. Banks which are incorporated outside of Singapore will continue to be subject to the requirements under the existing MAS Notice 639 until the divide between the Domestic Banking Unit and Asian Currency Unit is removed⁵.

3 Large exposures limit

3.1 MAS Notice 639 currently imposes a limit of 25% of eligible total capital⁶ on a Singapore-incorporated bank's exposures to any counterparty or any single counterparty group comprising counterparties which are connected by control or financial dependence

³ Section 29 of the Banking Act and Regulation 24 of the Banking Regulations.

⁴ This is supplemented by a publication by the BCBS in September 2016 on "Frequently asked questions on the supervisory framework for measuring and controlling large exposures".

⁵ MAS has consulted and responded to public feedback on this proposal. For details, please refer to the Response to the Consultation Paper on Removing the DBU-ACU Divide - Implementation Issues published on 10 February 2017 (<http://www.mas.gov.sg/News-and-Publications/Consultation-Paper/2015/Consultation-Paper-On-Removing-the-DBU-ACU-Divide.aspx>).

⁶ "eligible total capital" has the same meaning as "Eligible Total Capital" in MAS Notice 637, on a standalone (Solo) or consolidated (Group) level where applicable.

(henceforth referred to as a “connected counterparty group”)⁷. In addition, to manage the contagion risks arising from related counterparties, MAS Notice 639 also imposes the same large exposures limit on each substantial shareholder group and director group, and on the financial group⁸ of the Singapore-incorporated bank.

3.2 MAS proposes to tighten the capital base of the large exposures limit from eligible total capital to Tier 1 capital⁹. The revised capital base is more prudent and consistent with the Basel large exposures framework. Correspondingly, the revised large exposures limit of 25% of Tier 1 capital will be imposed on any counterparty and single counterparty group¹⁰ of a Singapore-incorporated bank.

Exposures to banks

3.3 Exposures to all banks, except for a Singapore-incorporated bank’s exposures to its bank subsidiary with residual maturity exceeding one year¹¹, are currently exempted from the large exposures limit.

3.4 MAS proposes to align with the Basel large exposures framework and require exposures to banks¹² to be subject to the large exposures limit, except for intraday interbank exposures. The revised treatment reflects the potential contagion effects of interbank exposures which can have direct impact on the stability of the financial system. Nonetheless, intraday interbank exposures will be excluded to avoid disrupting payment and settlement processes. Additionally, MAS will consider exceptional circumstances, e.g. allow a temporary increase in the limit for interbank exposures during stressed situations to facilitate an orderly interbank market.

⁷ As set out under Regulation 24(1)(b) of the Banking Regulations. It is referred to as “third party counterparty group” under the existing MAS Notice 639.

⁸ Substantial shareholder group, director group and financial group are defined in the Fifth Schedule of the Banking Act.

⁹ For the purpose of determining compliance with the large exposures limit, banks should base their computations on the current values of capital and exposures as of the same date.

¹⁰ This relates to a connected counterparty group, substantial shareholder group, director group or financial group of a bank.

¹¹ Exposures to a merchant bank approved by MAS which is a related corporation of the Singapore-incorporated bank, except for a Singapore-incorporated bank’s exposures to its merchant bank subsidiary with residual maturity exceeding one year, are also exempted.

¹² Except for exposures to related corporations proposed to be exempted in paragraph 3.5.

3.5 **For related corporations¹³ of a Singapore-incorporated bank that are banks or its parent financial holding company, MAS proposes to retain the treatment of exempting such exposures, except for exposures to its subsidiaries that are banks with residual maturity exceeding one year¹⁴.** This aims to facilitate intragroup liquidity and risk management, recognising that intragroup exposures¹⁵ often arise as part of optimising group operations and funding efficiency. However, longer term exposures to the bank's own bank subsidiaries will continue to be subject to the large exposures limit to address contagion risks.

3.6 For avoidance of doubt, exposures to related corporations that are non-bank entities will not be exempted. They will thus continue to be aggregated in the respective counterparty groups and be subject to the large exposures limit.

Exposures to systemically-important financial institutions

3.7 **MAS proposes to set a lower limit of 15% of Tier 1 capital on the exposures of a global systemically important bank¹⁶ (G-SIB) that is headquartered in Singapore to another G-SIB,** in line with the Basel large exposures framework. While not applicable today, this proposal reflects MAS' expectations on exposures between G-SIBs where relevant in the future. The lower limit will apply within 12 months of a Singapore-incorporated bank becoming a G-SIB. For clarity, this limit does not apply to the exposures of an overseas-headquartered G-SIB's bank subsidiary in Singapore to another G-SIB.

3.8 **MAS also expects banks to set internal limits for their exposures to other systemically important financial institutions,** including the domestic systemically important banks identified by MAS.

Question 1. MAS seeks comments on the proposal to tighten the large exposures limit from 25% of eligible total capital to 25% of Tier 1 capital.

¹³ "Related corporation" is as defined in the Banking Act, and refers to a corporation that is deemed to be related under the Companies Act. Generally, it will minimally include the parent entity of the bank, the subsidiaries of the parent entity, and the subsidiaries of the bank.

¹⁴ Exposures to a merchant bank approved by MAS which is a related corporation of the Singapore-incorporated bank will also be exempted, except for a Singapore-incorporated bank's exposures to its merchant bank subsidiary with residual maturity exceeding one year.

¹⁵ The Basel large exposures framework excludes intragroup exposures from the scope of the framework, but recognises that they could be considered another source of contagion risk.

¹⁶ As identified by the Financial Stability Board annually. The 2017 list of G-SIBs can be found here: <http://www.fsb.org/2017/11/2017-list-of-global-systemically-important-banks-g-sibs/>

Question 2. MAS seeks comments on the proposal to subject exposures to banks¹⁷ (except for intraday interbank exposures) to the large exposures limit.

Question 3. MAS seeks comments on the proposal to exempt exposures to a related corporation of the Singapore-incorporated bank that is a bank or its parent financial holding company¹⁸, except exposures to the Singapore-incorporated bank's subsidiaries which are banks with residual maturity exceeding one year.

Question 4. MAS seeks comments on the proposed limit of 15% of Tier 1 capital for a Singapore-headquartered G-SIB's exposures to another G-SIB, and the requirement to set internal limits for exposures to other systemically important financial institutions.

4 Aggregation and disaggregation of counterparties

4.1 The Basel large exposures framework requires aggregation of exposures to counterparties, where the counterparties are connected by a control relationship or by economic interdependence. A bank may demonstrate to its supervisor in exceptional cases that control or economic interdependence may not automatically lead to connectedness between counterparties. In such cases, banks need not combine these counterparties as a group of connected counterparties.

Aggregation of Connected Counterparty Group

4.2 Regulation 24(1)(b) of the Banking Regulations currently requires aggregation of a group of persons where the persons are connected by control or financial dependence (referred to as a "connected counterparty group" in this paper). Banks are however allowed to disaggregate exposures to financially independent entities in a connected counterparty group where they meet the conditions set out in Appendix 2 of MAS Notice 639.

¹⁷ Except for exposures to related corporations proposed to be exempted under paragraph 3.5.

¹⁸ Exposures to a merchant bank approved by MAS which is a related corporation of the Singapore-incorporated bank will also be exempted, except for a Singapore-incorporated bank's exposures to its merchant bank subsidiary with residual maturity exceeding one year.

4.3 **MAS will continue to require the aggregation of persons as a connected counterparty group¹⁹, and also require banks to assess possible financially-dependent counterparties²⁰ of any counterparty whose exposure exceeds 5% of Tier 1 capital.** This will ensure that banks apply the financial dependency test for material counterparties.

4.4 **For assessing connectedness based on financial dependence, in line with Basel large exposures framework, MAS further proposes that banks identify economically interdependent counterparties based on the following criteria –**

- a) where one counterparty derives 50% or more of its gross receipts or gross expenditures on an annual basis from transactions with the other counterparty;
- b) whether one counterparty has fully or partly guaranteed the exposure of the other counterparty, or is liable by other means, and the exposure is so significant that the guarantor is likely to default if a claim occurs;
- c) where a significant part of one counterparty's production or output is sold to the other counterparty, and it cannot be easily replaced by other customers;
- d) when the expected source of funds to repay each loan one counterparty makes to another counterparty is the same, and the other counterparty does not have another source of income from which the loan may be fully repaid;
- e) where it is likely that the financial problems of one counterparty would cause difficulties for the other counterparty in terms of full and timely repayment of liabilities;
- f) where the default or insolvency of one counterparty is likely to be associated with the default or insolvency of the other counterparty; or
- g) where there is reliance by two or more counterparties on the same source for the majority of their funding, and in the event of the common provider's default, an alternative provider cannot be found.

4.5 For connectedness based on control, Regulation 24(4) of the Banking Regulations provides that a person is controlled by another person if (i) the other person holds more

¹⁹ As set out under regulation 24(1)(b) of the Banking Regulations

²⁰ As set out under regulation 24(1)(b)(i) of the Banking Regulations

than half of the issued shares, (ii) controls more than half of the voting power, (iii) controls the composition of the board of directors, or (iv) is in a position to determine its policies.

4.6 With regard to limbs (ii) and (iv) of the preceding paragraph, MAS proposes that banks must consider if control may be established based on any of the following –

- a) voting agreements (e.g. where a counterparty controls a majority of voting rights pursuant to an agreement with other shareholders);
- b) significant influence on the appointment or dismissal of the members of an entity's administrative or management body; or
- c) significant influence on senior management (e.g. a counterparty has the power, pursuant to a contract or otherwise, to exercise a controlling influence over the management or policies of another counterparty).

Disaggregation of counterparties in a connected counterparty group or a substantial shareholder group

4.7 MAS recognises that counterparties in a connected counterparty group or a substantial shareholder group may not necessarily always pose a single risk to a bank. Banks are currently allowed to disaggregate counterparties from a connected counterparty group or substantial shareholder group if the counterparties fulfil all the financial independence conditions set out in Appendix 2 of MAS Notice 639.

4.8 MAS proposes to allow banks to disaggregate counterparties under a connected counterparty group or a substantial shareholder group if the bank can demonstrate that –

- a) corporate governance safeguards or other forms of ring-fencing measures are in place such that the linkages (aside from equity holdings) amongst the counterparties within the same group are limited, or that the risk of contagion due to the failure of any counterparty in the group, including the common controlling shareholder, to other counterparties in the same group is minimal. In line with this principle, MAS intends to continue allowing disaggregation of financial independent entities where the conditions currently set out under Appendix 2 of MAS Notice 639 are met; or
- b) where the counterparties are aggregated due to financial dependence, there are specific circumstances such that a counterparty is expected to

overcome financial difficulties or default of another counterparty within an appropriate time period²¹.

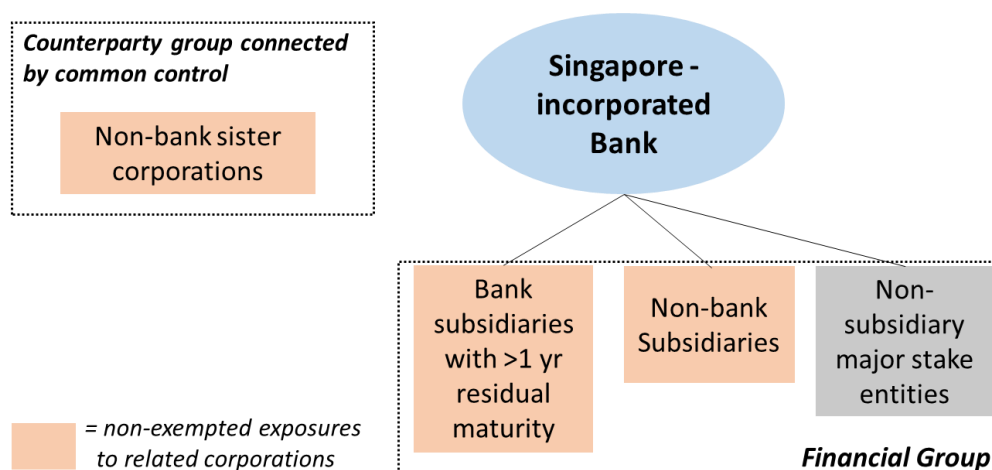
This is consistent with the fundamental objective of identifying counterparties which pose single risk to the bank.

Aggregation of exposures to a bank’s related corporations

4.9 A Singapore-incorporated bank’s exposures to its related corporations²² fall under two single counterparty groups, namely the connected counterparty group (comprising entities controlled by the same parent entity) and the financial group (comprising all entities which the bank holds a major stake in). A bank’s subsidiary in particular will be within the scope of both counterparty groups.

4.10 **MAS recognises that banks may require more flexibility to manage exposures to their related corporations, and proposes that exposures to a bank’s own subsidiaries be aggregated only under its financial group, and not with the connected counterparty group comprising entities controlled by the same parent entity.** Diagram 1 illustrates the proposed aggregation.

Diagram 1 – Proposed aggregation of non-exempt exposures²³ to related corporations



²¹ For instance, where the counterparty has alternative business partners or alternative funding sources to support its business, in the event of default or failure of other counterparties in the group.

²² Except for exempt exposures to related corporations of the Singapore-incorporated bank that are banks or its parent financial holding company, as proposed under paragraph 3.5.

²³ Non-exempt exposures to related corporations refer to a bank’s exposures to its related corporations that are non-bank entities, and exposures to its subsidiaries that are banks with residual maturity exceeding one year. See paragraph 3.5 for the proposed scope of exemption for related corporations.

Question 5. MAS seeks comments on the proposal to require a bank to assess possible financially-dependent counterparties in all cases where the exposures to a counterparty exceeds 5% of Tier 1 capital.

Question 6. MAS seeks comments on the proposed criteria under paragraphs 4.4 and 4.6 for assessing connectedness by financial dependence and control.

Question 7. MAS seeks comments on the disaggregation conditions for counterparties in a connected counterparty group and substantial shareholder group, set out in paragraph 4.8. MAS seeks feedback on cases or circumstances where disaggregation of counterparties would be appropriate.

Question 8. MAS seeks comments on the proposed aggregation of non-exempt exposures to related corporations as illustrated in Diagram 1.

5 Substantial exposures limit

5.1 To safeguard against a bank having an overly concentrated portfolio, MAS currently imposes a substantial exposures limit under MAS Notice 639 to cap the aggregate of substantial exposures at 50% of the bank's total exposures. "Substantial exposures" is defined as exposures to any counterparty or counterparty group which exceeds 10% of a bank's eligible total capital. The Basel large exposures framework does not require a similar limit, but requires regulatory reporting of exposures to a counterparty or a single counterparty group which are at least 10% of Tier 1 capital.

5.2 As the objective of safeguarding against portfolio concentration remains relevant, **MAS proposes to retain the substantial exposures limit, i.e. to cap the aggregate of substantial exposures at 50% of total exposures, and to define a substantial exposure as an exposure to a counterparty or single counterparty group which is at least 10% of Tier 1 capital.**

5.3 **In addition, we propose to exclude all exposures to banks from the substantial exposures limit.** For clarity, where a counterparty group is a banking group, only exposures to the bank entities within the group are exempted. Exposures to the non-bank entities within the banking group will still be aggregated²⁴ and subject to the substantial

²⁴ These non-bank entities within the group can be disaggregated if they meet the criteria set out in paragraph 4.8. For an entity that belongs to more than one single counterparty group and where the bank's

exposures limit. This proposed exemption takes into consideration that interbank exposures often arise from a range of activities important for market functioning, such as interbank funding, and that bank exposures will be subject to the revised large exposures limit as proposed in paragraph 3.4. **Other exempt exposures as proposed in Section 6 will similarly be excluded from the substantial exposures limit²⁵.**

Question 9. MAS seeks comments on the definition of a substantial exposure and the proposal to retain the substantial exposures limit on all exposures except for exposures to banks and other exempt exposures outlined in Section 6.

6 Exempt exposures

Exposures to qualifying central counterparties (CCPs)

6.1 **MAS recognises that central clearing of derivatives plays an important role in reducing systemic risk arising from over-the-counter (OTC) derivatives transactions, and proposes to exempt all clearing exposures²⁶ to qualifying CCPs²⁷ from the large exposures limit and the substantial exposures limit. MAS expects banks to continue to manage such exposures in accordance with their internal risk management policies and limits.**

exposure to more than one of these single counterparty groups constitute a substantial exposure, the bank's exposure to the entity in common need only be accounted for once, for the purpose of the substantial exposures limit.

²⁵ For the computation of the substantial exposures limit, bank exposures and exempt exposures will be excluded from both the numerator (substantial exposures amount) and denominator (total exposures) in the computation.

²⁶ This includes trade exposures and, in the case of a CCP clearing member, default fund contributions to mutualise losses under a default event of the CCP.

²⁷ A qualifying CCP is an entity that is licensed to operate as a CCP (including a license granted by way of confirming an exemption), and is permitted by a financial services regulatory authority to operate as such with respect to the products offered. This is subject to the provision that the CCP is based and prudentially supervised in a jurisdiction where the financial services regulatory authority has established, and publicly indicated that it applies to the CCP on an ongoing basis, domestic rules and regulations that are consistent with the Principles for Financial Market Infrastructures published by the Committee on Payments and Settlement Systems and the International Organization of Securities Commissions.

6.2 All other exposures to CCPs, such as exposures to qualifying CCPs that are not related to clearing activities²⁸ and exposures to non-qualifying CCPs, will be subject to the large exposures limit and the substantial exposures limit.

Exposures to sovereigns and central banks

6.3 The Basel large exposures framework currently exempts all exposures to sovereigns and their central banks. This exemption is also extended to any portion of exposure that is guaranteed or secured by financial instruments that are issued by such exempt entities, where the eligibility criteria for credit risk mitigation are met.

6.4 Currently, MAS only exempts exposures to the Singapore Government, the MAS, as well as to central governments and central banks of sovereigns that are rated “AAA”. To maintain the smoothing functioning of MAS’ domestic monetary and regulatory policy, **MAS will retain the exemption for exposures to the Singapore Government and to MAS.**

6.5 **Given default and currency mismatch risks, MAS proposes not to adopt a blanket exemption of exposures to other sovereigns and their central banks , and instead proposes to –**

- a) exempt exposures to other sovereign entities and their central banks, where such exposures arise from statutory and regulatory requirements imposed by MAS or a foreign bank regulatory agency; and
- b) exempt all other exposures to sovereigns and their central banks, where such exposures are denominated and funded in the domestic currency of the sovereign entity.

6.6 **MAS will retain the current exemption for exposures to qualifying multilateral development banks (MDBs) and international organisations²⁹.**

Public sector entities (PSEs)

6.7 Under the Basel large exposures framework, the exemption for sovereign exposures is extended to include exposures to PSEs which are treated as sovereigns under

²⁸ Examples of such exposures are those arising from credit facilities and guarantees.

²⁹ As set out in paragraph 1(f) of Annex B.

the risk-based banking capital framework. Notwithstanding this treatment, there may be an uneven implementation³⁰ by different national regulators of the national discretion to treat PSEs as sovereigns under the banking capital framework. MAS currently only exempts exposures to PSEs rated “AAA”.

6.8 MAS proposes to exempt all exposures to Singapore PSEs that qualify for a 0% risk weight under the standardised approach for credit risk in MAS Notice 637³¹. MAS also proposes to exempt exposures to foreign PSEs that qualify for a 0% risk weight under the standardised approach for credit risk in MAS Notice 637³² where such exposures are denominated and funded in the domestic currency of the jurisdiction where the PSE is established.

6.9 The proposed list of exempt exposures is set out in Annex B.

Question 10. MAS seeks comments on the proposed scope of exempt exposures.

7 Exposures measurement

7.1 The exposures measurement methodology under the Basel large exposures framework largely takes reference from the Basel capital framework, and departs from it only where deemed necessary for the purpose of achieving objectives of the large exposures framework. MAS proposes to adopt a similar approach. Alignment to the capital framework would also avoid introducing unnecessary complexity in the implementation of the large exposures framework by banks.

7.2 Annex C sets out the proposed exposures measurement approach for different asset types in detail, including the eligible credit risk mitigation techniques.

³⁰ Under the Basel capital standards, the criteria for determining whether a PSE can be treated as a sovereign is set out as guidance in the form of examples.

³¹ Exposures to Singapore PSEs would qualify for a 0% risk weight where exposures to such PSEs have a credit rating of at least “AA” and where exposures to the Singapore Government have a credit rating of at least “AA”.

³² Exposures to foreign PSEs would qualify for a 0% risk weight only where (i) the bank regulatory agency of the jurisdiction where the PSE is established recognises such exposures as a claim on the central government of the jurisdiction where the PSE is established; (ii) exposures to such PSEs have a credit rating of at least “AA” and (iii) exposures to the central government of the jurisdiction where the PSE is established have a credit rating of at least “AA”.

7.3 Specific issues that MAS seeks comments on are set out in the following sub-sections.

Question 11. MAS seeks comments on the proposed exposures measurement approach set out in Annex C.

Collective investment units, securitisation vehicles and other types of structures

7.4 **MAS proposes to align the methodology for measurement of exposures to collective investment units, securitisations and other types of structures to the Basel large exposures framework.** For the purpose of the large exposures limit, substantial exposures limit and regulatory reporting, a bank will be required to look through the structure and assign the exposures of their holdings in such structures to the counterparty or issuer of each underlying asset of such structures, where each underlying asset is equal to or above 0.25% of the bank's Tier 1 capital (henceforth referred to as "look-through approach"). The exposure value assigned to the corresponding counterparty under the look-through approach is the pro rata share that the bank holds in the structure multiplied by the value of the underlying asset³³. This is required to be aggregated with the other direct or indirect exposures to the same counterparty.

7.5 For structures with different seniority levels among investors, the exposure value assigned to each counterparty under the look-through approach is measured for each tranche within the structure, assuming a pro rata distribution of losses amongst investors in a single tranche³⁴.

7.6 However, where the bank is able to demonstrate that the exposure amount to each underlying asset of the structure is smaller than 0.25% of the bank's Tier 1 capital, the bank may choose to assign the exposure amount to the structure itself as a distinct counterparty. The exposure value to be assigned to the structure is the nominal amount of the bank's investment in the structure. Notwithstanding that the look-through approach may not be required, banks must be able to demonstrate that regulatory

³³ A bank holding 1% share of a structure that invests in 20 assets each with a value of 5 must assign an exposure of 0.05 to each of the 20 counterparties corresponding to the underlying assets.

³⁴ A bank is to (a) consider the lower of the value of the tranche in which it has invested and the nominal value of each underlying asset included in the underlying portfolio of assets; and then, (b) apply a pro rata share of the bank's investment in the tranche to the value determined in limb (a).

arbitrage considerations have not influenced its decision not to look through the structure³⁵.

7.7 The bank may adopt a partial look through approach and assign exposures to the structure itself, where such exposures correspond to underlying assets that fall below 0.25% of the bank's Tier 1 capital, even though the look-through approach is adopted for other exposures to the same structure.

7.8 Where a bank is unable to identify the underlying assets of a structure, the bank must -

- a) where the total exposure amount of such investment to a structure does not exceed 0.25% of the bank's Tier 1 capital, assign the total exposure amount based on the nominal amount of the bank's investment in the structure, to the structure itself; and
- b) where the total exposure amount of such investment to a structure exceeds 0.25% of the bank's Tier 1 capital, assign the exposure to the "unknown client". All exposures to such structures must be aggregated as a single counterparty exposure to the "unknown client".

7.9 A bank must also identify third parties that may constitute an additional risk factor inherent in a structure, rather than in the underlying assets of the structure. Such third parties may constitute additional risk factors across multiple structures. Where a third party that constitutes an additional risk factor has been identified, the bank must aggregate its investments in the structures where the third party constitutes a common additional risk factor to form a group of connected counterparties³⁶, where appropriate³⁷.

³⁵ For example, the bank must be able to demonstrate that it did not circumvent the limits by investing in several individually immaterial transactions with identical underlying assets.

³⁶ For example, a bank must consider a fund manager as a distinct counterparty such that the sum of the bank's investments in all of the funds managed by the fund manager is subject to the large exposures limit and substantial exposures limit. Banks also have to consider whether a liquidity provider or a sponsor of structured finance products, and a protection provider in the case of synthetic deals constitutes an additional risk factor.

³⁷ There may be cases where a bank may choose not to identify a fund manager as an additional risk factor. Such cases could be where the legal framework governing the regulation of particular funds requires separation between the legal entity that manages the fund and the legal entity that has custody of the fund's assets.

The bank must also consider aggregating the investments in such a group of connected counterparties with its other exposures to that third party³⁸.

7.10 Where multiple third parties are relevant as potential drivers of additional risk, a bank must assign the exposure resulting from its investment in the relevant structures to each of such third parties.

7.11 **MAS proposes to remove the current limit on banks' investments in an individual index or investment fund, set at 2% of a bank's eligible total capital**, given the enhanced methodology for measuring exposures to investment structures described above.

Question 12. MAS seeks comments on the proposed treatment of exposures to structures such as investment funds and securitisation vehicles.

Question 13. MAS seeks comments on the proposed removal of the limit on banks' investments in individual index or investment funds.

Covered bonds

7.12 The Basel large exposures framework sets out preferential treatment for the exposure measurement of covered bonds that meet certain eligibility criteria. The eligibility criteria, which must be satisfied at the inception of the covered bond and throughout its remaining maturity, include requirements that:

- a) the covered bonds are issued by a bank or mortgage institution and are subject by law to regulation designed to protect bond holders;
- b) proceeds deriving from the issue of these bonds are invested in conformity with the law in assets which, during the whole period of the validity of the bonds, are capable of covering claims attached to the bonds and would be

³⁸ A bank must consider on a case-by-case basis whether its exposures to a set of structures associated with a third party are to be aggregated with other exposures (such as a loan) that it has to that third party, depending on the specific features of such structures and on the role of the third party. For example, in the case of a credit protection provider of a structure, the bank must aggregate its investment in the structure and other direct exposures to the credit protection provider, as losses to the bank from both exposures may materialise in the case of a default of the credit protection provider.

used on a priority basis for the reimbursement of the principal and payment of the accrued interest under a default scenario;

- c) the underlying assets of the cover pool must consist of sovereign, PSE, MDB, high quality residential³⁹ or high quality commercial real estate⁴⁰ exposures; and
- d) the nominal value of the pool of assets assigned to the covered bond instrument by its issuer should exceed its nominal outstanding value by at least 10%.

7.13 Covered bonds entail lower default risk than other types of exposures, given the dual recourse nature of covered bonds. The eligibility criteria for preferential treatment set out by the BCBS would also help ensure that the underlying assets of the cover pool retain sufficient value to minimise losses to covered bond holders under a default scenario.

7.14 **MAS proposes to allow banks to compute exposure values of covered bonds based on a minimum of 25% of the nominal value of such covered bonds, where the eligibility criteria⁴¹ are met.** The exposure value of other covered bonds which do not meet the eligibility criteria will be based on 100% of the nominal value of the bank's covered bond holdings.

Question 14. MAS seeks comments on the proposed treatment of exposures arising from covered bond holdings.

Banking book and trading book derivatives

7.15 Under the Basel large exposures framework, exposure values for instruments that give rise to counterparty credit risk and are not securities financing transactions (SFTs) are measured according to the Standardised Approach for Counterparty Credit Risk (SA-CCR).

³⁹ Such residential real estate exposures must have a loan-to-value of 80% or lower, and qualify for a 35% risk weight or lower under the Standardised Approach for credit risk under MAS Notice 637.

⁴⁰ Such commercial real estate exposures must have a loan-to value of 60% or lower, and qualify for a risk weight of 100% or lower under the Standardised Approach for credit risk under MAS Notice 637.

⁴¹ The eligibility criteria is set out in paragraph 4.5 of Annex C, and is consistent with the eligibility criteria under the BCBS large exposures framework.

7.16 **MAS proposes to align the measurement of exposures arising from derivatives and other instruments that give rise to counterparty credit risk and are not SFTs to the Basel large exposures framework, consistent with the implementation of the SA-CCR under the banking capital framework.** As transitional arrangements have been provided for banks to adopt the SA-CCR under the banking capital framework, MAS will allow banks to continue relying on the current measurement approach set out in MAS Notice 639, until such time that banks adopt the SA-CCR for capital purposes.

Question 15. MAS seeks comments on the implementation approach for the measurement of exposures arising from derivatives and other instruments that give rise to counterparty credit risk.

8 Scope of application

8.1 MAS intends to retain the current MAS Notice 639 requirement for the large exposures limit and the substantial exposures limit to be applied at both the bank standalone (Solo) level and the consolidated (Group) level, except for exposures to the financial group of a bank which is applied at Solo level only.

8.2 **For the purpose of Group level requirements, MAS proposes that a bank aggregate its exposures to a single counterparty group across all entities treated as part of its banking group,** with the exclusion of exposures arising from an insurance subsidiary of the Singapore-incorporated bank. This is consistent with the scope of regulatory consolidation under the capital framework.

Question 16. MAS seeks comments on the scope of application.

9 Reporting requirements

9.1 **MAS proposes to require banks to report the following exposure values before and after application of the credit risk mitigation techniques on a semi-annual basis –**

- a) all exposures that meet the definition of substantial exposure, including exposures to banks and all exempt exposures set out in Annex B;

- b) other exposures⁴² that would have met the definition of substantial exposure (including exposures to banks) without considering the effect of credit risk mitigation; and
- c) the 20 largest exposures to counterparties, regardless of the proportion of these exposures relative to the bank's Tier 1 capital.

9.2 **In addition, banks are to report on a semi-annual basis any counterparty or single counterparty group that has been disaggregated according to paragraph 4.8 and that would otherwise have been in breach of the large exposures limit or the substantial exposures limit if not for the disaggregation.**

9.3 The proposed reporting schedule is set out in Annex D.

Question 17. MAS seeks comments on the proposed scope of reporting requirements and reporting schedule in Annex D.

10 Implementation timeline

10.1 The proposed amendments sets out comprehensive changes to better limit and measure the potential loss associated with a counterparty default. The alignment of exposure measurement approaches and credit risk mitigation techniques to the capital framework would also facilitate banks' adoption of the revised framework. **MAS proposes to implement the amendments to MAS Notice 639 by 1 January 2019, consistent with the BCBS timeline.**

Question 18. MAS seeks comments on the proposed implementation timeline of 1 January 2019.

⁴² For clarity, exempt exposures set out in paragraph 1(a) to (i) of Annex B which would have met the definition of substantial exposures without considering the effect of credit risk mitigation need not be reported.

Annex A

LIST OF QUESTIONS

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- Question 2.** MAS seeks comments on the proposal to subject exposures to banks (except for intraday interbank exposures) to the large exposures limit. 7
- Question 3.** MAS seeks comments on the proposal to exempt exposures to a related corporation of the Singapore-incorporated bank that is a bank or its parent financial holding company, except exposures to the Singapore-incorporated bank's subsidiaries which are banks with residual maturity exceeding one year. 7
- Question 4.** MAS seeks comments on the proposed limit of 15% of Tier 1 capital for a Singapore-headquartered G-SIB's exposures to another G-SIB, and the requirement to set internal limits for exposures to other systemically important financial institutions. 7
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Annex B

Proposed List of Exempt Exposures

1 For the purposes of the large exposures limit¹, the following exposures are exempt exposures:

- (a) an exposure to the Singapore Government² and to MAS);
- (b) an exposure to a central government or a central bank of a sovereign country, that is denominated and funded in the domestic currency of that sovereign country;
- (c) an exposure to a central government or central bank of a sovereign country, where the exposure is to meet statutory liquidity and reserve requirements, or other statutory requirements imposed by MAS or by a bank regulatory authority of a foreign jurisdiction;
- (d) an exposure to the following PSEs:
 - (i) a Singapore PSE that is subject to a 0% risk weight under paragraph 7.3.17 in MAS Notice 637; and
 - (ii) a foreign PSE that is -
 - (A) subject to a 0% risk weight under paragraph 7.3.17 in MAS Notice 637; and
 - (B) denominated and funded in the domestic currency of the sovereign country where the PSE is established;
- (e) an exposure to a qualifying MDB set out in Annex 7S of MAS Notice 637;
- (f) an exposure to the Bank for International Settlements, the International Monetary Fund, the European Central Bank, the European Union, the European Stability Mechanism and the European Financial Stability Facility;
- (g) an intraday exposure to a bank, whether or not licensed in Singapore;
- (h) an exposure to a qualifying CCP related to clearing activities described in paragraph 4.20 of Annex C; and
- (i) an exposure to a related corporation which is a -
 - (i) parent financial holding company of the bank;

¹ For avoidance of doubt, exposures to banks are included in the large exposures limit.

² For the avoidance of doubt, an exposure to a statutory board in Singapore is not considered an exposure to the Singapore Government.

- (ii) bank, except that in the case of an exposure of a bank incorporated in Singapore to a subsidiary which is a bank, whether in Singapore or elsewhere, the residual maturity of the exposure shall not exceed one year; and
- (iii) merchant bank approved under section 28 of the Monetary Authority of Singapore Act (Cap 186) which is a related corporation of the bank licensed in Singapore, except that in the case of an exposure of a bank incorporated in Singapore to its merchant bank subsidiary, the residual maturity of the exposure shall not exceed one year.

2 For the purposes of the substantial exposures limit, the following exposures are exempt exposures:

- (a) an exposure included in paragraph 1(a) to (i) of this Annex; and
- (b) an exposure to a bank.

Annex C

Proposed Exposures Measurement

A A Reporting Bank shall apply the basis for computation of exposures set out in Annex C for the purposes of determining compliance with the large exposures limit and the substantial exposures limit, identification of substantial exposures, and regulatory reporting requirements.

B In view of potential changes to the shareholding structure of a counterparty and its financial relationship with other entities, a bank incorporated in Singapore should review the profile of its counterparties at least once every 12 months, but in any case, a review shall be conducted by the bank no later than 15 months from the last review³.

C Notwithstanding that an entity may not be included in a director group, a financial group, a substantial shareholder group or any connected counterparty group, a Reporting Bank shall aggregate the exposures of one or more entities with that of a director group, a financial group, a substantial shareholder group or any connected counterparty group, as the case may be, if there are reasons for the bank to regard these exposures as connected in such a way so as to pose a single risk to the bank. The Authority may also require a Reporting Bank to aggregate any of its exposures, where the Authority is of the view that these exposures pose a single risk to the bank.

D The following definitions apply in this Annex –

“Accounting Standards” has the same meaning as in section 4(1) of the Companies Act (Cap 50);

“bank” means –

- (a) any bank licensed under the Banking Act; or
- (b) any entity which is approved, licensed, registered or otherwise regulated by a bank regulatory agency in a foreign jurisdiction to carry on banking business as defined in the Banking Act;

³ The Authority expects a Singapore-incorporated bank to monitor more closely, developments affecting its counterparties with larger exposures particularly those with exposures that are close to the limits set out in this consultation paper.

“bank regulatory agency” in relation to a foreign jurisdiction, means an authority in the foreign jurisdiction exercising any function that corresponds to a regulatory function of the Authority under the Banking Act;

“banking book” means all on-balance sheet and off-balance sheet exposures of a Reporting Bank other than its trading book positions;

“CCP” or “central counterparty” means a clearing facility that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the future performance of open contracts, through novation, an open offer system or other legally binding arrangements;

“connected counterparty group” means any group of persons prescribed under regulation 24(1)(b) of the Banking Regulations, including those aggregated by virtue of the criteria set out in paragraphs 4.4 and 4.6 of the consultation paper;

“covered bonds” means any bond issued by a bank, mortgage institution or a special purpose vehicle (SPV) -

- (a) which are subject by law to regulation designed to protect bond holders;
- (b) where proceeds deriving from the issue of such bonds are invested in conformity with the law in assets as part of a cover pool which –
 - (i) during the whole period of the validity of the bonds, are capable of covering claims attached to the bonds;
 - (ii) in the event of the failure of the issuer, would be used on a priority basis for the reimbursement of the principal and the payment of the accrued interest; and
- (c) where payment of the liabilities to the holders of such covered bonds and any liabilities arising from the enforcement of the rights of the holders of the covered bonds is recoverable from the bank, mortgage institution or SPV regardless of whether the cover pool is sufficient to pay of such liabilities;

“cover pool” in relation to an issuance of covered bonds, means a pool of assets that are –

- (a) legally or beneficially owned or legally and beneficially owned by the bank, mortgage institution or an SPV,
- (b) held by the bank or mortgage institution as trustee, or a replacement trustee, on behalf of an SPV, or
- (c) both,

for the purpose of securing the payment of:

- (i) the liabilities to the holders of the covered bonds;
- (ii) any liabilities arising from the enforcement of the rights off the holders of the covered bonds; and
- (iii) any liabilities to third party service providers appointed for the operation and administration of the covered bonds programme;

“credit RWA” means the sum of all credit risk-weighted exposure amounts in respect of all credit exposures calculated as set out in paragraph 7.1.1 of MAS Notice 637;

“CRM” or “credit risk mitigation” means any technique used by a Reporting Bank to reduce the credit risk associated with any exposure which the Reporting Bank holds in accordance with MAS Notice 637;

“entity” means any individual, corporation, association or body of persons, whether corporate or unincorporated, sole-proprietorship, partnership or limited liability partnership as defined under Limited Liability Partnership Act 2004;

“exempt exposure” means any exposure set out in Annex B;

“FC(CA)” or “financial collateral comprehensive approach” means the method for calculating the effects of CRM arising from eligible financial collateral set out in Annex 7I of Part VII of MAS Notice 637;

“FC(SA)” or “financial collateral simple approach” means the method for calculating the effects of CRM arising from eligible financial collateral set out in Sub-division 4 of Division 3 of Part VII of MAS Notice 637;

“financial institution” means an entity the principal activity of which is to carry on business in one or more of the following activities^{4,5} –

- (a) banking business;
- (b) insurance business;

⁴ This includes a financial holding company which is not an operating entity that holds as a subsidiary, a banking institution or an insurance subsidiary.

⁵ For avoidance of doubt, this includes any entity that is approved, licensed, registered or otherwise regulated by the Authority, or any foreign entity that carries out activities which, if carried out in Singapore, would have to be approved, licensed, registered or otherwise regulated by the Authority.

-
- (c) dealing or trading in securities, exchange-traded derivatives or OTC derivatives, whether as an agent or on a proprietary basis;
 - (d) foreign exchange trading and leveraged foreign exchange
 - (e) trading, whether as an agent or on a proprietary basis;
 - (f) advising on corporate finance;
 - (g) fund management;
 - (h) real estate investment trust management;
 - (i) securities financing;
 - (j) providing custodial services;
 - (k) operating an exchange, trading system or market;
 - (l) providing central counterparty services;
 - (m) operating a payment system, securities depository, securities
 - (n) settlement system or trade repository;
 - (o) providing financial advisory services;
 - (p) insurance broking;
 - (q) trust business;
 - (r) money broking;
 - (s) money-changing business;
 - (t) remittance business;
 - (u) lending;
 - (v) factoring;
 - (w) leasing;
 - (x) provision of credit enhancements;
 - (y) securitisation; or
 - (z) such other business that the Authority may specify from time-to-time;

“IRBA” or “internal ratings-based approach” means the approach for calculating credit risk-weighted exposure amounts set out in Division 4 of Part VII of MAS Notice 637 or, if the reference is to any regulatory requirements of, or administered by, a bank regulatory agency other than the Authority, the equivalent under those requirements;

“large exposures limit” means the limit set at 25% of a Reporting Bank’s Tier 1 capital, at the respective Solo and Group level, that the Reporting Bank shall not allow the aggregate of its exposure to any counterparty or single counterparty group (excluding the exempt exposures referred to in paragraph 1 of Annex B) to exceed;

“LE-LTA” or “look through approach” means, in relation to a structure, the approach to identify each underlying asset of the structure;

“market RWA” means the risk-weighted assets for market risks determined in the manner set out in Part VIII of MAS Notice 637;

“maturity mismatch” means a situation where the residual maturity of the credit risk mitigant is less than the residual maturity of the underlying credit exposure;

“netting” means bilateral netting, including –

- (a) netting by novation, where obligations between two counterparties to deliver a given amount on a given date under a netting transaction are automatically amalgamated with all other obligations under other netting transactions to deliver on the same value date, thereby extinguishing former netting transactions with a single legally binding new transaction; and
- (b) close-out netting, which applies where some or all of the ongoing netting transactions between two counterparties are terminated due to the default of either counterparty or upon the occurrence of a termination event as defined in the netting agreement, whereupon the values of such transactions are combined and reduced to a single payable sum,

but excluding payments netting which is designed to reduce the operational cost of daily settlements, where the gross obligations of the counterparties are not in any way affected;

“netting agreement” means any agreement which effects netting between two counterparties, or any other arrangement to effect netting, which does not contain a walkaway clause;

“netting transaction” refers to any off-balance sheet derivative transaction of a Reporting Bank covered under a netting agreement, including –

- (a) any interest rate contract;
- (b) any exchange rate or gold contract;
- (c) any contract based on individual equities or equity indices, precious metals or commodities; and
- (d) any credit derivative transaction;

“PSE” or “public sector entities” means –

- (a) a regional government or local authority that is able to exercise one or more functions of the central government at the regional or local level;

- (b) an administrative body or non-commercial undertaking responsible to, or owned by, a central government, regional government or local authority, which performs regulatory or non-commercial functions;
- (c) a statutory board in Singapore (other than the Authority); or
- (d) a town council in Singapore established pursuant to the Town Councils Act (Cap 392A);

“qualifying CCP” or “qualifying central counterparty” has the same meaning as defined in paragraph 1.2 of Annex 7AJ of MAS Notice 637;

“Rating Agency” means Standard and Poor’s, Moody’s or Fitch Ratings;

“Reporting Bank” means a bank incorporated in Singapore;

“SA(CR) or Standardised Approach to credit risk” means the approach for calculating credit risk-weighted exposure amounts set out in Division 3 of Part VII of Notice 637 or, if the reference is to any regulatory requirements of, or administered by, a bank regulatory agency other than the Authority, the equivalent under those requirements;

“securitisation” means any transaction or scheme involving the tranching of credit risk associated with an exposure or a pool of exposures and which has the following characteristics –

- (a) payments in the transaction or scheme depend on the performance of the exposure or pool of exposures;
- (b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme; and
- (c) junior tranches can absorb losses without interrupting contractual payments to more senior tranches;

“SFT or securities financing transaction” means a securities or commodities financing transaction comprising any one of the following –

- (a) a repo or a reverse repo;
- (b) a securities or commodities lending transaction or securities or commodities borrowing transaction;
- (c) a margin lending transaction,

for which the value of the transaction depends on market valuation and the transaction is often subject to margin agreements;

“single counterparty group⁶” means any counterparty, a director group, a financial group, a substantial shareholder group or any connected counterparty group;

“structure” means a financial instrument or investment entity that a Reporting Bank has invested in that itself has exposures to the underlying assets;

“substantial exposures” means the aggregate of the exposure values of the Reporting Bank, at the respective Solo and Group level, to a counterparty or single counterparty group which is equal to or above 10% of the Reporting Bank’s Tier 1 capital at the Solo and Group level respectively;

“substantial exposures limit” means the limit set at 50% of a Reporting Bank’s total exposures, at the respective Solo and Group level, that the Reporting Bank shall not allow the aggregate of its substantial exposures (excluding the exempt exposures referred to in paragraph 2 of Annex B) to exceed;

“Tier 1 capital”, in relation to –

- (i) a Reporting Bank, has the same meaning as “Tier 1 Capital” in MAS Notice 637, on a standalone (“Solo”) level; or
- (ii) a bank group, has the same meaning as “Tier 1 Capital” in MAS Notice 637, on a consolidated (“Group”) level;

“total exposures” for the purpose of substantial exposures limit means the aggregate of a Reporting Bank’s exposures to all its counterparties, except for the exempt exposures referred to in paragraph 2 of Annex B;

“trading book” has the meaning in Sub-division 3 of Division 1 of Part VIII of MAS Notice 637;

⁶ For an entity that belongs to more than one single counterparty group, a bank (or bank group) should include its exposure to that entity in each of the single counterparty group for the purpose of the large exposures limit. Where a bank’s (or bank group’s) exposure to more than one of these single counterparty groups constitute a substantial exposure, the bank’s (or bank group’s) exposure to the entity in common, need only be accounted for once, for the purpose of the substantial exposures limit.

“**walkaway clause**” means any provision which permits a party to a netting agreement that is not in default to make limited payments or no payments at all, to a defaulting party under the same netting agreement, even if the party that is in default is a net creditor under the netting agreement.

Section 1: General measurement principles

1.1 This Annex sets out the measurement of exposures to a single counterparty group.

1.2 The Reporting Bank shall consider on- and off-balance sheet exposures included in either the banking book or the trading book and instruments with counterparty credit risk under the banking capital framework in MAS Notice 637.

1.3 A Reporting Bank shall exclude an exposure amount to a counterparty that is deducted from capital under Part VI of MAS Notice 637, and shall not add an exposure amount that is deducted from capital to other exposures to that counterparty. Where only a portion of an exposure is subject to deduction from capital under Part VI of MAS Notice 637, only the exposure amount deducted from capital is excluded. The remaining part of the exposure is included, except where such an exposure is exempted in accordance with this Annex. A Reporting Bank shall include an exposure amount that is subject to a 1250% risk weight in MAS Notice 637, and shall add this exposure amount to any other exposures to the same counterparty, except where such an exposure is exempted in accordance with this Annex.

Section 2: Calculation of exposure value for banking book positions

Definition of exposure value

2.1 For banking book on-balance sheet non-derivative assets, a Reporting Bank shall calculate the exposure value based on the carrying amount of such assets as determined in accordance with the Accounting Standards, net of specific allowances and accounting valuation adjustments attributable to such assets. As an alternative, the Reporting Bank may calculate the exposure value of such assets gross of any specific allowance and accounting valuation adjustments.

2.2 A Reporting Bank shall calculate the exposure value for the pre-settlement counterparty exposure to a single counterparty arising from OTC derivative or exchange-traded derivative transactions, or long settlement transactions that are not securities financing transactions based on the SA-CCR in accordance with paragraph 7.2.20(a) of MAS Notice 637, subject to paragraph 2.3 of this Annex.

2.3 Unless a Reporting Bank has elected to adopt the SA-CCR, set out in Annex 70 of MAS Notice 637, prior to the cessation of the transitional arrangements for the adoption

of the SA-CCR, set out in Section 5 of Annex 7O of MAS Notice 637, the Reporting Bank shall continue to comply with Appendix 3 of MAS Notice 639, in force immediately before [1 January 2019 – *implementation date of the revised regulatory framework for large exposures of Singapore-incorporated banks*], for the calculation of OTC derivative transactions or long-settlement transactions, where such transitional arrangements are still in effect.

2.4 A Reporting Bank shall calculate the exposure value for an SFT based on the approach that the Reporting Bank has adopted in accordance with paragraph 7.2.23 of MAS Notice 637⁷.

2.5 A Reporting Bank shall calculate the credit exposure equivalent value of off-balance sheet items by multiplying the notional amount of each item with the applicable credit conversion factors set out in Annex 7A of MAS Notice 637, with a floor of 10%.

Eligible credit risk mitigation

2.6 A Reporting Bank shall recognise the effect of CRM in the calculation of an exposure whenever the Reporting Bank has recognised the effect of CRM to compute credit RWA for the exposure in MAS Notice 637, provided the Reporting Bank meets the conditions and requirements for recognition of such CRM in accordance with paragraphs 2.7 and 2.13 of this Annex.

2.7 A Reporting Bank may recognise the effect of CRM that meet the requirements for the recognition of eligible credit protection and financial collateral that qualify as eligible financial collateral under the SA(CR), in accordance with Annex 7F of MAS Notice 637.

2.8 A Reporting Bank shall not recognise other forms of collateral that are only eligible under the IRBA as set out in paragraph 2.5 of Annex 7F of MAS Notice 637, to reduce exposure values.

2.9 A Reporting Bank shall not recognise the effect of netting agreements relating to on-balance sheet assets and liabilities.

2.10 A Reporting Bank may recognise the effects of CRM for an exposure where there is a maturity mismatch only if the credit risk mitigant has an original maturity of at least one year and a residual maturity of more than 3 months in accordance with paragraph 6.1

⁷ The BCBS has published revisions of the SA(CR), which includes a review of the FC(CA) used for the measurement of SFTs. The Authority is reviewing these revisions and may revise the FC(CA) at a later date. The Authority may require a Reporting Bank to adopt the revised FC(CA) for the measurement of a pre-settlement counterparty exposure arising from an SFT, if appropriate.

of Annex 7F of MAS Notice 637. A Reporting Bank shall not recognise the effects of CRM for an exposure where there is a maturity mismatch if the Reporting Bank has adopted the FC(SA) under MAS Notice 637.

2.11 A Reporting Bank shall calculate the value of the CRM adjusted for any maturity mismatch in accordance with Section 6 of Annex 7F of MAS Notice 637.

2.12 A Reporting Bank shall reduce the value of the exposure to the original counterparty by the amount of the eligible credit protection or eligible financial collateral recognised for the calculation of credit RWA under MAS Notice 637, which is:

- (a) the value of the protected portion in the case of eligible credit protection;
- (b) the value of the portion of claim collateralised by the market value of the recognised financial collateral when the bank uses the FC(SA) for calculating the effect of CRM under MAS Notice 637;
- (c) the value of the collateral as recognised in the calculation of the exposure value for the pre-settlement counterparty exposure to a single counterparty arising from OTC derivative or exchange-traded derivative transactions, or long settlement transactions that are not SFTs based on the same approach that the Reporting Bank has adopted in accordance with paragraphs 2.2 and 2.3 of this Annex; or
- (d) the value of the collateral adjusted after applying the required haircuts, in the case of financial collateral when the Reporting Bank applies the FC(CA) for recognising the effect of eligible financial collateral under MAS Notice 637. The haircuts used to reduce the collateral amount are the supervisory haircuts under the comprehensive approach set out in paragraph 2.1 of Annex 7J of MAS Notice 637. For the avoidance of doubt, the Reporting Bank shall not use own-estimates haircuts described in Section 3 of Annex 7J in MAS Notice 637.

2.13 Where a Reporting Bank recognises a reduction of the exposure to the original counterparty due to CRM in accordance with paragraph 2.6 of this Annex, the Reporting Bank shall recognise an exposure to the CRM provider. Subject to paragraph 3.13 of this Annex, the Reporting Bank shall assign to the CRM provider the amount by which the exposure to the original counterparty is reduced.

Section 3: Calculation of exposure value for trading book positions

3.1 A Reporting Bank shall add any exposures to a single counterparty group held in the trading book arising from positions in paragraph 3.2 of this Annex to any other

exposures to that counterparty held in the banking book to calculate its total exposure to that single counterparty group.

3.2 For the purpose of paragraph 3.1 of this Annex, a Reporting Bank shall include any positions held in the trading book that are exposed to risk associated with the default of a single counterparty and calculate the exposure value of such positions in accordance with paragraphs 3.3 to 3.15 of this Annex. The Reporting Bank shall not include positions in a particular commodity or currency.

3.3 A Reporting Bank shall calculate the exposure value of debt instruments and equity instruments held in the trading book based on the value⁸ calculated in accordance with the Accounting Standards.

3.4 A Reporting Bank shall convert⁹ -

- (a) interest-rate related derivatives instruments held in the trading book into notional positions in the relevant underlying instruments in accordance with paragraph 8.2.5 and Annex 8A of MAS Notice 637;
- (b) credit derivatives into notional positions in the relevant reference obligations in accordance with paragraph 8.2.6 and Annex 8B of MAS Notice 637; and
- (c) equity derivative instruments into notional positions in the relevant underlying equity instruments in accordance with paragraph 8.2.26 of MAS Notice 637,

and then calculate the exposure value of the instruments based only on the transaction legs representing exposures captured under paragraph 3.2 of this Annex.

3.5 Where a Reporting Bank has provided credit protection through credit derivative transactions held in the trading book, the Reporting Bank acquires exposure to the reference asset and shall calculate the exposure to the reference asset based on the amount that is due in the case the reference asset triggers the instrument, minus the absolute value of the credit protection. In the case that the market value of the sold credit derivative is positive from the perspective of the Reporting Bank, the Reporting Bank shall

⁸ That is, based on the current market value of such instruments.

⁹ A future on stock X, for example, is decomposed into a long position in stock X and a short position in a risk-free interest rate exposure in the respective funding currency, or a typical interest rate swap is represented by a long position in a fixed and a short position in a floating interest rate exposure or vice versa.

add the positive market value of the credit derivative to other exposures to the protection buyer. In the case of credit-linked notes, the Reporting Bank shall consider positions both in the bond of the credit-linked note issuer and in the underlying instrument referenced by the credit-linked note. The Reporting Bank shall consider positions hedged by credit derivatives in accordance with paragraphs 3.10 to 3.13 of this Annex.

3.6 A Reporting Bank shall calculate the exposure value for options held in the trading book based on the change in option prices that would result from a default of the respective underlying instrument in accordance with Table C-1.¹⁰ The Reporting Bank shall aggregate resulting positions in options with other exposures to the relevant counterparties of such option positions and floor the net exposures at zero.

Table C-1 – Exposure measurement of options

Option position	Exposure measurement approach
Long call option	Option market value
Short call option	Option market value
Long put option	Option strike price minus option market value
Short put option	Option strike price minus option market value

3.7 A Reporting Bank shall calculate the exposure value of an investment in index positions, securitisations, hedge funds or investment funds held in the trading book applying the same approach as for similar instruments held in the banking book in accordance with paragraphs 4.6 to 4.15 of this Annex. Accordingly, the Reporting Bank may assign the amount invested in a particular structure to –

- (a) the structure itself, where it is defined as a distinct counterparty;
- (b) the counterparties corresponding to the underlying assets; or
- (c) the unknown client described in paragraph 4.10 of this Annex.

3.8 A Reporting Bank may offset long and short positions in an identical¹¹ issue of any instrument held in the trading book. The Reporting Bank may consider a net position in a specific issue for the purposes of calculating its exposure to a particular counterparty.

3.9 Subject to paragraph 3.11 of this Annex, a Reporting Bank may offset long and short positions in different issues of any instrument held in the trading book issued by the

¹⁰ The measure of exposure values of options differs from the measurement of exposure values of options under MAS Notice 637.

¹¹ Two issues are defined as identical if the issuer, coupon, currency and maturity are identical.

same counterparty only when the short position is junior to the long position, or if the long and short positions are of the same seniority.

3.10 In the case of positions held in the trading book hedged by credit derivatives, a Reporting Bank may recognise the hedge provided the underlying instrument of the hedge and the position hedged meet the requirements set out in paragraph 3.9 of this Annex.

3.11 A Reporting Bank may allocate securities held in the trading book to broad buckets of degrees of seniority¹², for the purpose of determining the relative seniority of positions. The Reporting Bank shall not recognise any offsetting of long and short positions in different issues of any instrument held in the trading book relating to the same counterparty if the Reporting Bank chooses not to allocate securities to different buckets based on relative seniority.

3.12 In accordance with paragraph 2.12 of this Annex, where a Reporting Bank hedges positions held in the trading book through the use of credit derivatives, the Reporting Bank shall recognise a reduction in its exposure to the original counterparty arising from such trading book positions and recognise a corresponding increase in its exposure to the credit protection provider, subject to the requirements set out in paragraph 3.13 of this Annex.

3.13 For the purpose of paragraph 3.12 of this Annex, in the case where a Reporting Bank bought credit protection in the form of a CDS to hedge positions held in the trading book and either the CDS provider or the referenced entity is not a financial entity, the Reporting Bank shall assign the exposure amount to the credit protection provider calculated based on the same exposure measurement approach that the Reporting Bank has adopted in accordance to paragraph 7.2.20(a) of MAS Notice 637. For the avoidance of doubt, the Reporting Bank shall not assign the amount corresponding to the reduction in its exposure to the original counterparty. For the purpose of this paragraph, a “financial entity” shall include –

- (a) a regulated financial institution, which is defined as a parent and its subsidiaries where any substantial legal entity in the consolidated group is supervised by a financial services regulatory authority that imposes prudential requirements consistent with international standards; and
- (b) an unregulated financial institution.

3.14 A Reporting Bank shall not offset positions held in the banking book with positions held in the trading book (or vice versa).

¹² For example, the broad buckets may be “Equity”, “Subordinated Debt” and “Senior Debt”.

3.15 In the case that a net short position results from offsetting positions held in the trading book, a Reporting Bank shall not consider the net short position.

Section 4: Treatment of specific exposure types

4.1 This Section covers exposures for which a specific treatment for exposure measurement is deemed necessary.

Exposures guaranteed or secured by specific exposures

4.2 The Reporting Bank shall exclude any portion of an exposure guaranteed by, or secured by financial instruments, where such guarantees or financial instruments constitute exposures included in –

(a) paragraphs 1(a) to 1(f), and 1(i) of Annex B, for the purpose of the large exposures limit; and

(b) paragraphs 1(a) to 1(f), 1(i) and 2(b) of Annex B, for the purpose of the substantial exposures limit,

subject to the requirements for the recognition of credit risk mitigation set out in paragraphs 2.6 to 2.13 of this Annex.

4.3 A Reporting Bank shall recognise a corresponding exposure to the counterparty providing credit protection in accordance with paragraphs 2.13 and 3.12 of this Annex, where a Reporting Bank has an exposure that is hedged by a credit derivative and the hedged exposure constitutes an exposure included in –

(a) paragraphs 1(a) to 1(f), and 1(i) of Annex B, for the purpose of the large exposures limit;

(b) paragraphs 1(a) to 1(f), 1(i) and 2(b) of Annex B, for the purpose of the substantial exposures limit.

Covered bond exposures

4.4 A Reporting Bank may assign an exposure value of at least 25% of the nominal value of the Reporting Bank's qualifying covered bond holding referred to in paragraph 4.5 of this Annex to the issuer of the qualifying covered bond. For all other covered bonds, a Reporting Bank shall assign an assign value of 100% of the nominal value of the Reporting Bank's covered bond holdings to the issuer of the covered bond.

4.5 For the purpose of paragraph 4.4 of this Annex, a qualifying covered bond refers to a covered bond meeting the following conditions at the inception of the covered bond and throughout its remaining maturity –

- (a) the general definition of covered bonds set out in paragraph D of this Annex;
- (b) the cover pool of the covered bond consist of assets¹³ that constitute –
 - (i) exposures which would fall within the central government and central bank asset class, PSE asset class entities or MDB asset class under the SA(CR) in accordance with paragraphs 7.3.1 (b) to 7.3.1 (d) in MAS Notice 637;
 - (ii) exposures which would fall within the residential mortgage asset class that would qualify for a 35% or lower risk weight under the SA(CR) set out in paragraph 7.3.29 in MAS Notice 637 and have a loan-to-value ratio of 80% or lower, calculated in accordance with paragraph 2.7(f) and 2.7(g) of Annex 7F in MAS Notice 637; and
 - (iii) exposures which would fall within the CRE asset class that would qualify for the 100% or lower risk weight under the SA(CR) set out in paragraph 7.3.29C in MAS Notice 637 and with a loan-to-value ratio of 60% or lower, calculated in accordance with paragraph 2.7(f) and 2.7(g) of Annex 7F in MAS Notice 637;
- (c) the nominal value of the cover pool assigned to the covered bond by its issuer exceeds the nominal outstanding value of the covered bond issuance (“over-collateralisation requirement”) by at least 10%. For this purpose, the value of the cover pool does not need to be that required by the relevant legislative framework governing the issuance of such covered bonds. However, if the relevant legislative framework does not stipulate an over-collateralisation requirement of at least 10%, the issuing bank of the covered bond needs to publicly disclose on a regular basis that the cover pool meets the over-collateralisation requirement of 10% in practice.

¹³ Assets may include substitution assets that are cash or short term liquid and high quality assets held in substitution of the primary assets to top up the cover pool for management purposes and derivatives entered into for the purposes of hedging the risks arising in the covered bond programme.

Exposures to collective investment schemes, securitisation vehicles and other structures

4.6 For the purposes of the large exposures limit and the substantial exposures limit, a Reporting Bank shall consider exposures arising from structures¹⁴ that the Reporting Bank has invested in, regardless of whether such exposures are held in the banking book or trading book. The Reporting Bank shall assign the exposure amount to specific counterparties in accordance with paragraphs 4.7 to 4.15 in this Annex.

4.7 A Reporting Bank may assign the exposure amount to a structure, defined as a distinct counterparty, if the Reporting Bank's exposure amount to each underlying asset of the structure is smaller than 0.25% of the Reporting Bank's Tier 1 capital¹⁵. For the purpose of this paragraph, the Reporting Bank shall consider only exposures to underlying assets of the structure that result from the Reporting Bank's investment in the structure, subject to the exposure measurement approach set out in paragraphs 4.12 to 4.13 of this Annex. In this case, the Reporting Bank shall not be required to apply the LE-LTA. The Reporting Bank shall be able to demonstrate to the Authority that regulatory arbitrage considerations have not influenced its decision not to look through the structure¹⁶.

4.8 A Reporting Bank shall apply the LE-LTA to look through a structure to identify the underlying assets of the structure for which the Reporting Bank's exposure to each of such underlying assets is equal to or above 0.25% of the Reporting Bank's Tier 1 capital, subject to paragraphs 4.12 and 4.13 of this Annex. The Reporting Bank shall identify the counterparty corresponding to each of the underlying assets and aggregate the exposures arising from such underlying assets to any other direct or indirect exposure to the same counterparty. The Reporting Bank may assign its exposure amount arising from other underlying assets of the structure that are each below 0.25% of the Reporting Bank's Tier 1 capital to the structure¹⁷.

4.9 Where a Reporting Bank is unable to identify the underlying assets of the structure, the Reporting Bank shall –

- (a) if the total amount of a Reporting Bank's exposure to a structure does not exceed 0.25% of the Reporting Bank's Tier 1 capital, assign the total

¹⁴ Such structures include collective investment schemes, closed-end funds, securitisations and other structures with underlying assets.

¹⁵ By definition, this required test is met if a Reporting Bank's whole investment in a structure is below 0.25% of the Reporting Bank's Tier 1 capital.

¹⁶ For example, the Reporting Bank has not circumvented the large exposures limit by investing in several individually immaterial transactions with identical underlying assets.

¹⁷ That is, a partial look-through approach is permitted.

exposures arising from its investment in the structure to the structure as the relevant counterparty; and

- (b) if the total amount of a Reporting Bank's exposure to a structure is above 0.25% of the Reporting Bank's Tier 1 capital, apply the treatment set out in paragraph 4.10 of this Annex.

4.10 For the purpose of paragraph 4.9(b) of this Annex, a Reporting Bank shall aggregate its exposures to all such structures and assign the aggregated amount to a hypothetical single counterparty, referred to as the unknown client¹⁸.

4.11 Where a Reporting Bank chooses not to apply the LE-LTA pursuant to paragraph 4.7 of this Annex or is unable to apply the LE-LTA, a Reporting Bank shall assign its exposures to a structure based on the nominal amount it invests in the structure¹⁹.

4.12 Where the LE-LTA is applied in the case of a structure where all investors rank pari passu, a Reporting Bank shall calculate the exposure value to a counterparty equal to the pro rata share that the Reporting Bank holds in the structure multiplied by the value of the underlying asset in the structure. Thus, a Reporting Bank holding a 1% share of a structure that invests in 20 assets each with a value of 5 shall assign an exposure of 0.05 to each of the counterparties. The Reporting Bank shall add such exposures to any other direct or indirect exposures the Reporting Bank has to the relevant counterparty.

4.13 Where the LE-LTA is applied in the case of a structure with different seniority levels among investors (e.g. securitisations), a Reporting Bank shall calculate the exposure value arising from the underlying assets for each tranche within the structure, based on a pro rata distribution of losses amongst investors in a single tranche. The Reporting Bank shall compute the exposure value arising from each underlying asset by –

- (a) considering the lower of the value of the tranche in which the Reporting Bank invests and the nominal value of each underlying asset included in the underlying portfolio of assets; and
- (b) applying the pro rata share of the Reporting Bank's investment in the tranche to the value determined in sub-paragraph (a).

¹⁸ The requirements in this consultation paper relating to the large exposures limit, substantial exposures limit, identification of substantial exposures and regulatory reporting will apply accordingly to the "unknown client" as a single counterparty.

¹⁹ This is independent of the requirement in paragraph 4.14 of this Annex to identify additional risk factors inherent in a structure.

4.14 A Reporting Bank shall identify third parties²⁰ that may constitute an additional risk factor inherent in a structure itself rather in the underlying assets, including where such a third party is a risk factor for more than one structure that the Reporting Bank invests in.

4.15 For the purpose of paragraph 4.14 of this Annex –

- (a) A Reporting Bank shall aggregate its investments to structures with a common additional risk factor to form a single counterparty group. For this purpose, the Reporting Bank shall –
 - (i) treat a fund manager²¹ as a distinct counterparty such that the sum of the Reporting Bank's investments in all of the funds managed by the fund manager is subject to the large exposures limit and substantial exposures limit;
 - (ii) consider whether the liquidity provider or the sponsor of short-term structured finance programmes²² constitutes a common additional risk factor; and
 - (iii) in the case of synthetic deals, consider whether a protection provider constitutes an additional risk factor.
- (b) A Reporting Bank should add its investments in a set of structures associated with a third party that constitutes a common additional risk factor to other exposures (such as a loan) it has to that third party, and treat the set of structures and the third party as a group of connected counterparties. The Reporting Bank shall consider on a case-by-case basis whether the exposures to such structures are to be added to any other exposures to the third party, depending on the specific features of such structures and on the role of the third party. For example, in the case of a credit protection provider of a structure, the source of the additional risk for Reporting Bank investing in a

²⁰ Examples of roles played by third parties include originator, fund manager, liquidity provider, and credit protection provider. A Reporting Bank may consider multiple third parties in a structure to be potential drivers of additional risk factors.

²¹ In certain cases, the Reporting Bank may choose not to identify a fund manager as an additional risk factor. Such cases could be where the legal framework governing the regulation of particular funds requires separation between the legal entity that manages the fund and the legal entity that has custody of the fund's assets.

²² Examples of such short-term programmes are asset-backed commercial paper, conduits and structured investment vehicles.

structure is the default of the credit protection provider.²³ The Reporting Bank shall therefore add its exposure arising from the investment in the structure to its direct exposures to the credit protection provider since both exposures might crystallise into losses in the event that the credit protection provider defaults²⁴.

Exposures to CCPs

4.16 A Reporting Bank shall subject exposures to a qualifying CCP that are not related to clearing activities²⁵ (henceforth referred to as “non-clearing exposures”) to the large exposures limit and the substantial exposures limit. A Reporting Bank shall calculate the exposure value for non-clearing exposures in accordance with this Annex, as for any other type of counterparty.

4.17 Subject to paragraphs 4.18 and 4.19 of this Annex, a Reporting Bank shall aggregate its exposure to a CCP which is not a qualifying CCP as a sum of both the exposures related to clearing activities described in paragraph 4.20 of this Annex and the non-clearing exposures. The Reporting Bank shall subject the aggregated exposure value to the CCP to the large exposures limit and the substantial exposures limit.

4.18 In the case of exposures related to clearing activities to a CCP, a Reporting Bank shall not aggregate its clearing exposures to a CCP with exposures to other entities included in the same single counterparty group. The Reporting Bank shall separately calculate the exposures related to clearing activities described in paragraph 4.20 of this Annex and non-clearing exposures to a CCP.

4.19 In the case of non-clearing exposures to a CCP, a Reporting Bank shall determine whether the CCP is included in the same single counterparty group as other counterparties of the Reporting Bank. Where the CCP is included in the same single counterparty group as other counterparties of the Reporting Bank, the Reporting Bank shall aggregate its non-clearing exposures to the CCP with its exposures to the other counterparties included in the same single counterparty group, and subject the aggregate exposure value to the large exposures limit and the substantial exposures limit.²⁶

²³ The assessment by the Reporting Bank may be different where the risk to the value of investments underlying the structures arises in the event of a third-party default.

²⁴ By ignoring the part of the exposures that is guaranteed by credit protection or secured by collateral, the Reporting Bank may be subject to a high concentration risk exposure to issuers of collateral or providers of credit protection.

²⁵ Such exposures include funding facilities, credit facilities, and guarantees.

²⁶ As an example, if a Reporting Bank has exposures to a qualifying CCP for a total of 100 made up of 50 trade exposures, 10 default fund contributions and 40 liquidity lines, the Reporting Bank shall report 60 under clearing exposures. For the other 40, the Reporting Bank shall check whether the qualifying CCP is

4.20 A Reporting Bank shall identify and aggregate clearing exposures to a CCP, in accordance with the treatment set out in Table C-2 –

Table C-2 – Exposures related to clearing activities

Type of exposure	Applicable treatment
Trade exposures	Exposure value calculated using the exposure measures prescribed in this Annex
Posted segregated initial margin	Exposure value is zero. ²⁷
Posted non-segregated initial margin	Exposure value is the nominal amount of initial margin posted by the Reporting Bank
Pre-funded default fund contributions	Exposure value is the nominal amount of the funded contribution.
Unfunded default fund contributions	Exposure value is zero.
Equity stakes	Exposure value is the nominal amount of the Reporting Bank’s equity stake, except in the case where such equity stakes are deducted from the Reporting Bank’s capital on which the large exposures limit and substantial exposures limit is based, in which case the exposure value is zero.

4.21 A Reporting Bank shall determine the counterparty to which exposures subject to clearing services²⁸ are to be assigned, in accordance with the treatment set out in Annex 7AJ of MAS Notice 637.

connected to the Reporting Bank’s other counterparties, including other CCPs. Assuming that the qualifying CCP is also part of a single counterparty group, the Reporting Bank shall add this 40 from the liquidity line to other exposures to counterparties within the same single counterparty group. The Reporting Bank shall subject the sum of these exposures to the large exposures limit and the substantial exposures limit.

²⁷ When the initial margin posted is bankruptcy remote from the CCP, in the sense that it is segregated from the CCP’s own accounts when for example, such initial margin is held by a third-party custodian, this amount cannot be lost by the Reporting Bank if the CCP defaults. Therefore, the initial margin posted by the Reporting Bank can be exempted from the large exposures limit and the substantial exposures limit.

²⁸ That is, where the Reporting Bank is acting as a CCP’s clearing member or as a client of a CCP’s clearing member.

4.22 A Reporting Bank shall measure all other types of exposures that are not directly related to clearing services provided by a CCP in accordance with this Annex, as for any other type of counterparty.

Section 5: Exposures to entities in a Reporting Bank's financial group

5.1 For the purpose of compliance with the large exposures limit applied to a Reporting Bank's financial group²⁹ only, in computing the aggregate of its exposures to its financial group, a Reporting Bank may exclude the amount of capital investments in entities of its financial group³⁰, provided that those capital investments are correspondingly excluded from the computation of the Tier 1 capital of the Reporting Bank. For avoidance of doubt, these capital investments will not be excluded from the computation of the Tier 1 capital of the Reporting Bank for the purpose of compliance with the large exposures limit for other counterparties and single counterparty groups.

²⁹ Financial group is defined in the Fifth Schedule of the Banking Act.

³⁰ This applies where the the Reporting Bank's capital investments in the entities of its financial group are not already deducted from capital under Part VI of MAS Notice 637, and treated in accordance with paragraph 1.3 of this Annex.

REPORTING FOR EXPOSURES TO SINGLE COUNTERPARTY GROUPS

Name of Reporting Bank:
 Statement as at:
 Scope of Reporting:

Section A: Regulatory Capital
 Tier 1 Capital (\$ million):

Section B: Exposures that are equal to or above 10% Tier 1 capital, excluding exempt exposures under paragraph 1 of Annex B of the consultation paper, **after** considering the effect of credit risk mitigation or "CRM"

	Name of Counterparty/ Counterparty Group	Type of counterparty group (i.e. director group, substantial shareholder group or connected counterparty group) ¹	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
			Values (\$ million)	As % of Tier 1 Capital	Values (\$ million)	As % of Tier 1 Capital
Counterparty 1						
Counterparty 2						
.						
.						

Section C: Exposures that are equal to or above 10% of Tier 1 capital, excluding exempt exposures under paragraph 1 of Annex B of the consultation paper, **before** considering the effect of CRM

	Name of Counterparty/ Counterparty Group	Type of counterparty group (i.e. director group, substantial shareholder group or connected counterparty group) ¹	Gross Exposures (before considering the effect of CRM)		Net Exposures (after considering the effect of CRM)	
			Values (\$ million)	As % of Tier 1 Capital	Values (\$ million)	As % of Tier 1 Capital
Counterparty 1						
Counterparty 2						
.						
.						

Note 1: For Sections B and C, exposures to the Reporting Bank's subsidiaries which are banks will exclude those with residual maturity of up to one year. Those exposures to the Reporting Bank's bank subsidiaries with residual maturity of up to one year shall be aggregated and reported under Section D: Exempted Exposures, (v) Exposures to related corporations exempted under paragraph 1(i) of Annex B of the consultation paper (excluding intraday exposures), if the aggregated exposure value (net of CRM) is at least 10% of Tier 1 capital.

Section D: Exempted Exposures that are equal to or above 10% Tier 1 capital, **after** considering the effect of CRM

(i) Central banks / central governments exempted under paragraph 1(a) to 1(c) of Annex B of the consultation paper

	Name of Counterparty/ Counterparty Group	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
		Values (\$ million)	As % of Tier 1 Capital	Values (\$ million)	As % of Tier 1 Capital
Counterparty 1					
Counterparty 2					
.					
.					

(ii) Public sector entities exempted under paragraph 1(d) of Annex B of the consultation paper

	Name of Counterparty / Counterparty Group	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
		Values (\$ million)	As % of Tier 1 Capital	Values (\$ million)	As % of Tier 1 Capital
Counterparty 1					
Counterparty 2					
.					
.					

(iii) Qualifying MDBs and specified entities exempted under paragraph 1(e) and 1(f) of Annex B of the consultation paper

	Name of Counterparty / Counterparty Group	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
		Values (\$ million)	As % of Tier 1 Capital	Values (\$ million)	As % of Tier 1 Capital
Counterparty 1					
Counterparty 2					
.					
.					

Section G: Substantial exposure limit utilisation

	Net Exposures (after considering the effect of CRM)
	Values (\$\$ million)
(A) Aggregate of substantial exposures ³ which are subject to SE limit (i.e. excluding all bank exposures and exempt exposures under paragraph 2 of Annex B of the consultation paper)	
(B) Aggregate of all exposures (excluding all bank exposures and exempt exposures under paragraph 2 of Annex B of the consultation paper)	
Substantial exposure limit utilisation (A/B, as %)	

Note 3: Per paragraph 5.2 of the consultation paper, a substantial exposure is an exposure to a counterparty or single counterparty group which is at least 10% of Tier 1 capital.

Section H: Large exposures limit utilisation for exposures to financial group

	Values (\$\$ million)
(A) Aggregate net exposures (after considering the effect of CRM) to financial group ⁴	
(B) Capital investments in entities of its financial group ⁵ excluded in aggregation of exposures to financial group (where these are not already deducted in Part VI of MAS 637)	
(C) Tier 1 capital (in Section A), net of capital investments in entities of its financial group (as set out in item B above)	
Large exposures limit utilisation [(A-B)/C, as %]	

Note 4: For avoidance of doubt, the aggregate exposures to financial group should exclude the exposures to a subsidiary which is a bank or merchant bank which are exempted under paragraph 1(i) of Annex B of consultation paper.

Note 5: As outlined in Section 5 of Annex C of the consultation paper, for the purpose of compliance with the large exposures limit applied to a Reporting Bank's financial group only, a Reporting Bank may exclude the amount of capital investments in entities of its financial group (where these are not already deducted from capital under Part VI of MAS Notice 637 and treated in accordance with paragraph 1.3 of Annex C) from the aggregate exposures of the financial group, provided that those capital investments are correspondingly excluded from the computation of the Tier 1 capital of the Reporting Bank.

REPORTING FOR EXPOSURES TO SINGLE COUNTERPARTY GROUPS

Name of Reporting Bank:
 Statement as at:
 Scope of Reporting:

Section A: Regulatory Capital
 Tier 1 Capital (S\$ million):

Section B: Exposures that are equal to or above 10% Tier 1 capital, excluding exempt exposures under paragraph 1 of Annex B of the consultation paper, after considering the effect of credit risk mitigation or "CRM"

	Name of Counterparty/ Counterparty Group	Type of counterparty group (i.e. director group, substantial shareholder group or connected counterparty group) ¹	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
			Values (S\$ million)	As % of Tier 1 Capital	Values (S\$ million)	As % of Tier 1 Capital
Counterparty 1						
Counterparty 2						
.						
.						

Section C: Exposures that are equal to or above 10% of Tier 1 capital, excluding exempt exposures under paragraph 1 of Annex B of the consultation paper, before considering the effect of CRM

	Name of Counterparty/ Counterparty Group	Type of counterparty group (i.e. director group, substantial shareholder group or connected counterparty group) ¹	Gross Exposures (before considering the effect of CRM)		Net Exposures (after considering the effect of CRM)	
			Values (S\$ million)	As % of Tier 1 Capital	Values (S\$ million)	As % of Tier 1 Capital
Counterparty 1						
Counterparty 2						
.						
.						

Note 1: For Sections B and C, exposures to the Reporting Bank's subsidiaries which are banks will exclude those with residual maturity of up to one year. Those exposures to the Reporting Bank's bank subsidiaries with residual maturity of up to one year shall be aggregated and reported under Section D: Exempted Exposures, (v) Exposures to related corporations exempted under paragraph 1(i) of Annex B of the consultation paper (excluding intraday exposures), if the aggregated exposure value (net of CRM) is at least 10% of Tier 1 capital.

Section D: Exempted Exposures that are equal to or above 10% Tier 1 capital, after considering the effect of CRM

(i) Central banks / central governments exempted under paragraph 1(a) to 1(c) of Annex B of the consultation paper

	Name of Counterparty/ Counterparty Group	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
		Values (S\$ million)	As % of Tier 1 Capital	Values (S\$ million)	As % of Tier 1 Capital
Counterparty 1					
Counterparty 2					
.					
.					

(ii) Public sector entities exempted under paragraph 1(d) of Annex B of the consultation paper

	Name of Counterparty / Counterparty Group	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
		Values (S\$ million)	As % of Tier 1 Capital	Values (S\$ million)	As % of Tier 1 Capital
Counterparty 1					
Counterparty 2					
.					
.					

(iii) Qualifying MDBs and specified entities exempted under paragraph 1(e) and 1(f) of Annex B of the consultation paper

	Name of Counterparty / Counterparty Group	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
		Values (S\$ million)	As % of Tier 1 Capital	Values (S\$ million)	As % of Tier 1 Capital
Counterparty 1					
Counterparty 2					
.					
.					

(iv) Qualifying Central Counterparties exempted under paragraph 1(h) of Annex B of the consultation paper

	Name of Counterparty / Counterparty Group	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
		Values (\$ million)	As % of Tier 1 Capital	Values (\$ million)	As % of Tier 1 Capital
Counterparty 1					
Counterparty 2					
.					
.					

(v) Exposures to related corporations exempted under paragraph 1(i) of Annex B of the consultation paper

	Name of Counterparty / Counterparty Group	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
		Values (\$ million)	As % of Tier 1 Capital	Values (\$ million)	As % of Tier 1 Capital
Counterparty 1					
Counterparty 2					
.					
.					

Section E: Top 20 largest exposures (regardless of proportion to Tier 1 capital), after considering the effect of CRM

Ranking (largest to smallest by Net Exposures)	Name of Counterparty/ Counterparty Group	Net Exposures (after considering the effect of CRM)		Gross Exposures (before considering the effect of CRM)	
		Values (\$ million)	As % of Tier 1 Capital	Values (\$ million)	As % of Tier 1 Capital
1 (largest)					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20 (smallest)					

Section F: Disaggregated counterparties [in accordance with paragraphs 4.8 and 4.9 of the consultation paper]

Name of Counterparty Group (before disaggregation)	Name of Disaggregated Counterparty	Net Exposures (after considering the effect of CRM)	
		Values (\$ million)	As % of Tier 1 Capital
Counterparty Group 1	Counterparty 1a		
	Counterparty 1b		
	.		
Counterparty Group 2	Counterparty 2a		
	Counterparty 2b		
	.		
	.		
	.		

Section G: Substantial exposure limit utilisation

	Net Exposures (after considering the effect of CRM)
	Values (\$\$ million)
(A) Aggregate of substantial exposures ² which are subject to SE limit (i.e. excluding all bank exposures and exempt exposures under paragraph 2 of Annex B of the consultation paper)	
(B) Aggregate of all exposures (excluding all bank exposures and exempt exposures under paragraph 2 of Annex B of the consultation paper)	
Substantial exposure limit utilisation (A/B, as %)	

Note 2: Per paragraph 5.2 of the consultation paper, a substantial exposure is an exposure to a counterparty or single counterparty group which is at least 10% of Tier 1 capital.



Monetary Authority of Singapore