

Banking Newsletter

Number 1 Year 2001



**Financial Services
Commission**

Pre notification of large exposures

Administrative Notice Number 3 on the Monitoring and Control of Large Exposures requires that any notification which will exceed 25% of a bank's Large Exposures Capital Base ("LECB") be pre-notified to the Commissioner.

The conditions under which a bank might be permitted to enter into an exposure exceeding 25% of LECB would normally be where such an exposure is subject to a parental guarantee or is fully secured by cash (of an identical or longer maturity) or Zone A government security. Additionally, the exposure may fall into the category of an exempt exposure. Readers should consult the Administrative Notice for more detailed definitions of these issues.

In order to assist the management in this process and the FSC to be able to ascertain if such an exposure can be permitted, the FSC have produced the attached standard reporting form.

The reporting form converts all currencies into a Sterling based equivalent based upon the exchange rate at the time the notification is submitted and calculates the percentages of cover provided for by the eligible collateral. Additional space is provided for the reporting institution to provide details of other collateral held against the proposed exposure which are neither cash nor Zone A Government Securities.

Completion Instructions

Name of Bank : Enter the reporting bank's complete name.

Client/Exposure ID : Enter the customer ID that will be used in the Quarterly Banking Supervisory Return.

Client/Exposure Name : Enter the name of the client or group to whom the exposure is being made.

Description of the nature and purpose of the exposure : Enter the details of the exposure, its purpose, etc.

Details of exposure and collateral : Provide a breakdown, by currency of the exposure and collateral held (broken down between cash and Zone A Government securities). Note : Only cash and Zone A Government Securities of an identical or longer maturity can be entered in this section. Any cash or security of a lesser maturity can not be treated as eligible security for these purposes and must be reported under "Other Collateral" below.

Currency : Where a currency is not already present in the form, please use the standard abbreviation for the currency. Use a new row for each currency.

Exchange Rate : Use the mid rate at the time of completing the form.

Exposure Amount : Enter the full amount of the proposed exposure in the reported currency.

Cash : Enter the amount of cash, in the reported currency held against the exposure which is of an identical or longer maturity.



Zone A Government Securities : Enter the amount of securities, in the reported currency held against the exposure which is of an identical or longer maturity.

Exposure Sterling Equivalent : This is Sterling equivalent of the exposure amount converted using the given exchange rate.

Cash Sterling Equivalent : This is Sterling equivalent of the cash amount converted using the given exchange rate.

Securities Sterling Equivalent : This is Sterling equivalent of the Zone A Government Securities amount converted using the given exchange rate.

Exposure Gross Amount : This is the total of the Exposure Sterling Equivalent.

Exposure Less Cash : This is the Exposure Gross Amount less the total Cash Sterling Equivalent.

Exposure less cash and Zone A Govt Securities : This is the Exposure Gross Amount less the total Cash Sterling Equivalent and total Securities Sterling Equivalent.

Large Exposures Capital Base :

Currency : Enter the base currency of the LECB as calculated by the FSC.

Exchange Rate : Use the mid rate at the time of completing the form.

Amount : Enter the amount provided by the FSC.

Sterling Equivalent : The Sterling equivalent of the LECB.

25% of LECB : 25% of Sterling Equivalent of LECB

Exposure as % of LECB :

$\frac{\text{Exposure Gross Amount}}{\text{Large Exposures Capital Base (Sterling Equivalent)}}$	X 100 =	First Column Result
$\frac{\text{Exposure Less Cash}}{\text{Large Exposures Capital Base (Sterling Equivalent)}}$	X 100 =	Second Column Result
$\frac{\text{Exposure less cash and Zone A Govt Securities}}{\text{Large Exposures Capital Base (Sterling Equivalent)}}$	X 100 =	Third Column Result



Exposure Type : Tick the type of exposure (as defined in the Administrative Notice)

Other Collateral : Indicate other types of collateral held against this exposure which does not meet the criteria of cash or Zone A government security of an identical or longer maturity.



Exposure Type

Please tick only one.

Exempt Exposures

- Exposure to a bank or investment firms for less than a year to an unconnected counterparty
- Exposure to Zone A Central government or central bank
- Exposure fully secured by cash and/or Zone A Government securities
- Exposure arising out of a treasury function
- Underwriting Exposure

Secured Exposure

- Exposure partially secured by cash and/or Zone A Government securities

Other collateral

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Signed by _____

Name _____

Date _____

This form must be signed by the two senior officers of the reporting institution.

NOTE : MS Excel and Adobe versions of this form can be downloaded from our web-site at www.fsc.gi.