Financial Services Commission

Press Release

January 18, 2024

RULES CHANGE APPROVED TO OFFICIALLY INTRODUCE BCBS LARGE EXPOSURE LIMIT ON BANKS FROM FEBRUARY 1

- The BCBS large exposure limit, which has been observed through administrative guidance since March 2019, will be officially enforced with revisions to relevant rules, helping to boost regulatory consistency with global standards.

The Financial Services Commission held its first scheduled meeting of the year on January 18 and approved the previously proposed rules change to the supervisory regulations on banks and financial holding companies.

The regulatory change officially establishes the large exposure limit recommended by the Basel Committee on Banking Supervision (BCBS) to bring domestic financial rules more aligned with global standards.

In this regard, the changed rules are similar to the banks and financial holding companies' credit extension limit being observed under the existing legal framework in that it requires banks and financial holding companies to keep large exposures to a counterparty (or a group of affiliated counterparties) within 25 percent of their core capital (20 percent for D-SIBs). However, the under the revised rules, the scope of counterparties has been broadened to include entities in both controlling relationship and economically dependent relationship. The revised rules also incorporate a wider scope of credit exposures since they include both credit extensions such as loans and financial products such as stocks and bonds as well as third-party guarantees. Thus, the revised rules will allow a more comprehensive and integrated way of managing counterparty credit risks.

The revised rules will go into effect from February 1. Authorities expect that this will help to improve the management of large-scale concentration risks in the banking sector. The financial authorities will continue to closely monitor risks in the banking sector and seek changes in rules needed to boost regulatory consistency with global standards.

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