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SOUTH AFRICAN RESERVE BANK
Prudential Authority

Comments received on the proposed Directive[1] relating to board committee composition and the treatment of large exposures (LEX) during the consultation period from 19 May 2025 to 26 June 2025

Table 1: Comments received from The Banking Association South Africa

No	**Reference in proposed Directive**	**Comment/Issue (as provided by the commenter)**	**Proposed wording/comment**	**Prudential Authority's (PA) response**
1.	**Paragraph 6.2.1** The committee appointed by the Board to approve LEX must consist of at least 3 independent non-executive directors,	The proposed amendments to Directive 5 of 2008 introduce a new requirement that non-executive members of the credit committee, including the chairperson, must be independent. This marks a significant departure from Directive 5 of 2008, which does not impose such a requirement.	Recommend that the proposed directive be revised to remove the requirement for independence of non-executive members and the chairperson of the credit committee.	*The Prudential Authority (PA) notes the recommendation; the requirement has been removed.*

[1] Available at: [Proposed Directive - Large Exposure Requirements]()

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	one of whom shall be the Chairperson of the said committee	While the intention behind this change may be to strengthen governance and oversight, we believe that mandating independence for credit committee members is not appropriate in the context of banking operations. Banks are fully supportive of the inclusion of non-executive directors on the credit committee and value their contribution to governance and oversight. However, the credit committee plays a highly technical and operational role, requiring deep institutional knowledge, contextual understanding of the bank's credit risk appetite, and familiarity with its lending practices and client base. These attributes are often best found in individuals who have a long-standing relationship with the institution, even if they are not classified as "independent" under regulatory definitions.	Alternatively, banks to have the ability to apply for an exemption from this requirement.	

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		Imposing an independence requirement may inadvertently exclude highly qualified and experienced non-executive directors who are well-positioned to contribute meaningfully to credit risk oversight. Furthermore, the independence requirement may create unnecessary rigidity in board composition, limiting the bank's ability to appoint individuals based on merit, expertise, and strategic alignment. It is also important to note that the Companies Act No. 71 of 2008, and King IV do not prescribe independence for all board committees, but rather emphasize the need for appropriate skills, experience, and ethical leadership. In this context, a principles-based approach that allows banks to determine the most suitable composition of their credit committees—based on their size, complexity, and risk		

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		profile—would be more effective than a prescriptive independence requirement.		
2.	**Paragraph 7.1.3**	Section 7.1.3 states that exposures must be assessed for large exposure (LEX) purposes before considering any eligible credit risk mitigation (CRM). In line with this, our understanding is that when identifying counterparties for inclusion in the BA210 return, we should only consider direct exposures that meet or exceed the 10% threshold on a pre-CRM basis. Consequently, a counterparty whose direct exposure falls below the 10% threshold, but who acts as a CRM provider (e.g., as a guarantor or issuer of eligible collateral), would not qualify for inclusion on the list of counterparties subject to LEX assessment in the BA210, since the indirect exposure to them only arises after CRM is applied.	We would appreciate the PA's confirmation that this interpretation is correct. We also wish to highlight the importance of maintaining consistent treatment between the actual LEX process and the BA210 reporting framework. Aligning these two ensures clarity and comparability and reduces the risk of discrepancies in interpretation or reporting outcomes.	*To address the comment, paragraph 8 to direct banks on the treatment of counterparties whose exposures fall below the LEX threshold, but who act as a CRM provider has been included.* *In addition, the PA has included paragraph 10.5 in the new proposed Directive to direct banks on the reporting requirements for exposures to the counterparty acting as a CRM provider.*

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3.	**Paragraph 7**	Paragraph 7.1.3 requires the identification of large exposures (LEX) before the application of eligible credit risk mitigation (CRM). While we understand the PA's intention to promote prudent oversight, this approach presents practical challenges, particularly for counterparty credit risk (CCR) exposures managed under legally enforceable netting agreements such as ISDAs, GMRAs, and GMLAs. For these exposures, the SA-CCR methodology—which includes CRM and netting—already underpins exposure-at-default (EAD) determination, capital requirements, and internal credit limits. Introducing a separate measurement for LEX identification leads to unnecessary duplication, inconsistency in risk measurement, and operational inefficiencies. More broadly, we advocate aligning LEX exposure measurement with internationally	We propose a differentiated approach that reflects current risk management practices: derivative and securities financing exposures should be measured after CRM and netting (consistent with SA-CCR/EAD), while lending and traditional banking facilities may continue to be measured before CRM at the 10% threshold stage, with CRM applied at the 25% cap level. This approach ensures conceptual consistency, operational efficiency, and a harmonized regulatory framework, while maintaining the intended prudence of the LEX framework. This proposal also aligns with the new BA210	*The proposed Directive should be read with the Regulations relating to Banks (Regulations). Regulation 24(6)(f) of the Regulations states that an exposure must be considered a LEX before applying any eligible CRM. This has been further directed in paragraphs 7.1 to 7.1.3 of the proposed Directive.* *Furthermore, paragraphs 7.2 to 7.2.3 of the proposed Directive direct that for eligible CRM to be considered in calculating the relevant aggregate exposure value that needs to comply with the LEX limits, it must not be used in the initial identification of a LEX as per paragraphs 7.1 to 7.1.3.* *The respective reporting columns in the "large exposure to a person table" for securities financing transactions and over the counter (OTC) derivative instruments are and have been required to be reported on a "gross" and "EAD"*

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		accepted credit risk norms. The LEX framework aims to mitigate credit and liquidity concentration risks—objectives already embedded in existing credit and capital frameworks. Creating a parallel process that calculates exposures differently adds significant operational complexity, data inconsistency, and governance burdens.	disclosure (Basel IV), where the "Adjusted exposure post CCF and Specific Credit Impairments, Before CRM" includes the EAD for SA-CCR based on the return's provided formulae.	*basis since the implementation of the LEX framework on 1 April 2022.* *In addition, there are various columns in the "large exposures to a person" and "20 largest exposures" tables which require gross exposures reporting, as well as, adjusted exposures before and after the effects of credit conversion factors (CCF), specific impairment and CRM. New paragraphs 10.1 and 10.2 have been included in the new proposed Directive to indicate this requirement.* *The requirement for completing the BA returns columns in respect of the "large exposures to a person" and "20 largest exposures" have been expanded in the updated proposed Directive.*
4.	**Paragraph 7**	We seek clarification on whether regulatory reporting and disclosures (e.g., BA210 submissions) should reflect exposures above 10% of Tier 1 capital before CRM, or only those that remain above 10% after CRM is applied. While the Directive clearly defines a two-stage process — identifying exposures pre-CRM, and testing breach post-CRM — it is unclear which basis should be used for LEX disclosure and reporting.	If the PA's intent is to capture all exposures above 10% before CRM in regulatory submissions, we request that this be explicitly stated in the final Directive or supporting reporting guidance. Alternatively, if the expectation is to disclose only exposures exceeding the 10% threshold after CRM, this would be more	

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			consistent with capital and credit risk reporting practices. Greater clarity will ensure consistent implementation across institutions and avoid confusion in system design and governance workflows.	
5.	**Paragraph 7** **24(6)(c)(i)(A)(i)**	Regulation 24(6)(c)(i)(A)(i) references the term "...the relevant accounting value...," which implies that, given that accounting practices considers month-end exposures, the use of average balances would not be appropriate. An external audit finding was previously raised based on this regulatory reference when Bank A reported average balances. It is Bank A's view that the regulation was not intended to create a disconnect between credit risk reporting and large	We suggest that Regulation 24(6)(c)(i)(A)(i) be amended to align with the Prudential Authority's stated expectation that average balances shall be used for large exposure reporting purposes. Additionally, it is proposed that the "Proposed Directive – Large Exposure requirements" be updated to explicitly clarify in paragraph 7 that average	*The PA has amended the proposed Directive to direct banks on what constitutes a LEX in paragraph 7.1 and indicates what LEX value must be monitored against the LEX limits in paragraph 7.2.* *The PA has included new paragraphs 10.4, 10.6 and 10.7 in the new proposed Directive to direct institutions on how to calculate and identify a LEX for the purposes of monitoring and reporting, on the basis of either average daily balances or month-end balances.*

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		exposure reporting, especially since the former relies on average balances while the latter would not, under a strict reading. To address this, the opportunity presented by the "Proposed Directive - Completion of forms BA600 and BA610" was utilized to request clarification. The Prudential Authority has since indicated that, where applicable, average balances should indeed be reported under large exposures.	balances should be considered both when: determining whether a large exposure exists; and disclosing exposure values within the large exposure table.	*The PA reserves the right to request any data to assess compliance to the regulatory requirements.*
6.	**Paragraph 9** *Application of the large exposure requirements on all subsidiaries within a banking group, where a bank within the group has been designated as a domestic*	We've noted that Annexure 1 has been updated to now include a dedicated column for intragroup exposures, and we would appreciate clarification on how this should be applied, particularly in relation to paragraph 9.1.1 of the directive. Specifically, we seek confirmation on the following:	Guidance on this matter would be greatly appreciated to help align internal reporting and control practices with the revised directive.	*Please refer to the comment matrix to Directive 3 of 2022,[2] regarding "intragroup" exposures, "application of D-SIB/G-SIB designation for LEX purposes" and "foreign subsidiaries".* *The requirement for banks and controlling companies to assess whether a control relationship or economic interdependence exists and treat such connected counterparties as a*

[2] Available online at: Directive 3 of 2022 - Comments in respect of previous large exposures proposed Directives

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	systemically important bank, domestic systemically important financial institution or global systemically important bank *9.1 In the case where a bank within a banking group is designated as:* *9.1.1 A domestic systemically important bank (D-SIB)/domestic systemically important financial institution (D-SIFI) by the PA or the South African Reserve Bank, for LEX purposes, and when determining the limit applicable to all other*	1. **Scope of Subsidiary Inclusion:** Does paragraph 9.1.1 imply that *all* subsidiaries of the controlling company, regardless of whether they are banks, are subject to the LEX limits applicable to a designated D-SIB/D-SIFI within the group? In other words, should the designation be applied group-wide, including both direct and indirect subsidiaries? 2. **Treatment of Non-Subsidiary Intragroup Exposures:** In instances where an intragroup exposure exists between entities within the group that are not in a formal parent–subsidiary relationship (e.g. exposures to associates or joint ventures not classified as subsidiaries), should the exposure be assessed against the intragroup limits as specified in the updated Annexure 1?		*single counterparty for LEX purposes has not changed.* *Annexure 1 was only updated to explicitly highlight, for ease of reference, the intention of what is already stated and included in the Regulations and the proposed Directive.* *1. Yes, the requirements of paragraphs 9.1.1 and 9.1.2 of the proposed Directive includes all subsidiaries of the controlling company, regardless of whether they are banks. The domestic systemically important banks (D-SIBs), domestic systemically important financial institutions (D-SIFI) and global systemically important banks (G-SIB) designation applies to all subsidiaries within a banking group, including direct and indirect subsidiaries.* *2. For the purposes of joint ventures and associates, banks and controlling companies are required to assess whether a control relationship exists. If a control relationship does not exist,*

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	subsidiaries within the group where an entity within the group has been designated as a D-SIB/D-SIFI, the D-SIB/D-SIFI designation must be applied to the controlling company of the D-SIB/D-SIFI as well as all other subsidiaries of the bank and controlling company.			*these exposures would not constitute consolidated intragroup exposures and would not be considered subsidiaries of the banking group. Therefore, D-SIB, D-SIFI and G-SIB designations would not apply to these exposures which are not intragroup since they are not consolidated. However, exposures to associates and joint ventures must still comply with the respective LEX limits.*
7.	**Paragraph 10.2**	Requirement states that "any intraday exposure, limit and facility" other than intrabank exposures will be subject to LEX requirements. The BIS and SARB LEX requirements specify that the starting point of LEX calculations is the accounting value. This,	"Any intraday limit and facility, other than intraday interbank limits and facilities, is subject to the respective LEX requirements specified in the Regulations"	*The inclusion of paragraph 10.2 in the proposed Directive is <u>to explicitly state</u> that "any intraday exposure, limit and facility, other than intraday interbank exposures, is subject to the respective LEX requirements". These exposures/facilities have always been required to comply with the LEX requirements.*

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		by its nature, doesn't represent an intraday view. Similarly, the SA_CCR and SFT methodologies for EAD aren't calculated on a real time basis. Monitoring intra-day exposures would require real-time generation of EAD values. Our interpretation of the BIS's requirements is that facilities that are only available intraday are intended to be included for LEX purposes using their CCFs, but that real-time calculation of EAD is not required, i.e. the drawn proportion of these facilities (which drives EAD in addition to CCFs) should be measured and reported based on end of day values. This clarity can be brought by removing the word "exposure" from the proposed wording.		*The word "exposure" has not been removed given that "exposures" should be monitored against LEX limits on an on-going basis and on a daily basis. The PA is concerned by the comment on real-time monitoring, given that exposures to a single counterparty or group of connected counterparties, regarded as a single counterparty should not exceed LEX limits at any given point in time.* *In addition, the PA notes the comment to include "but only to the extent that it would not result in double counting of limits". However, the PA is of the view that the current paragraph is clear, and does not require this inclusion.* *The PA has also added a new paragraph 12.3 in the updated proposed Directive to direct on the reporting requirements for these exposures, facilities and limits.*
8.	**Paragraph 10.2**	Requirement states that "any intraday exposure, limit and facility" other than	"Any intraday limit and facility, other than intraday interbank exposures, is subject to the respective LEX requirements	

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		intrabank exposures will be subject to LEX requirements. This could result in double counting of limits for corporates or NBFI's when intraday limits have been extended in addition to an overdraft limit. As an example, where R1m of intraday limits have been extended to a counterparty to enable the utilisation of a R1m overdraft, limits will be aggregated as R2m although the maximum risk at any time (whether intraday or overnight) will not exceed R1m.	specified in the Regulations, but only to the extent that it would not result in double counting of limits."	
9.	**Paragraph 10.2**	We are not in agreement with the proposal that *"Any intraday exposure, limit, and facility, other than intraday interbank exposures, is subject to the respective LEX requirements specified in the Regulations."* Reasons: *1. Fundamental Nature of Settlement Limits*	Alternative Proposal: Differentiated Reporting Approach Rather than including settlement risk within the LEX exposure limits, we propose a two-tier approach:	*Please refer to responses to comments 7 and 8 above.* *As a member of the Basel Committee on Banking Supervision, South Africa has committed to the full implementation of the internationally agreed standards. In this regard, the PA is of the view that removing paragraph 10.2 from the proposed Directive would result in*

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		• Intraday exposure does not equate to credit risk at the close of business i.e. any potential inter day exposure will be in excess of credit limits marked (not authorised). • Settlement facilities are designed for temporary intraday liquidity management, enabling smooth payment flows without the creation of an actual on-balance-sheet risk. • Imposing LEX requirements on intraday exposures artificially inflates a bank's reported credit risk and regulatory approval process, leading to misrepresentations of actual financial exposure. i.e. Large corporate clients use settlement limits to process daily transactions but rely on formal credit facilities (direct risk which falls under LEX) for liquidity management.	1. Intraday exposures should be monitored and reported separately under liquidity risk metrics. 2. Only failed settlements that lead to actual debit or direct exposures should be subject to LEX reporting requirements. This approach ensures that risk is accurately categorised, preventing unnecessary regulatory burdens while maintaining appropriate oversight on financial stability. We recommend that the PA reconsider including intraday settlement exposures in the LEX framework. Recognising the temporary nature of settlement risk will ensure	*a deviation from the internationally agreed Basel framework.* *The PA is of the view that these intraday exposures, limits and facilities give rise to intraday credit risk and do not meet the requirements of being exempt exposures per the Regulations.*

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		These temporary limits should not convert into outstanding exposure. *2. Risk Classification and Regulatory Purpose* • LEX regulations are intended to manage significant and prolonged credit exposures, ensuring financial stability. • Intraday exposures, however, follow a different risk framework, as they contractually should be cleared before the end of the trading day. *3. Potential Consequences of the Directive* • Treating intraday exposures as formal LEX risk distorts credit concentration calculations, potentially leading to inefficient capital allocation. • Banks would be forced to restructure liquidity management strategies to	accurate credit risk reporting and operational efficiency. We remain open to discussions to refine the reporting methodology for intraday liquidity exposures.	

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		accommodate reporting requirements that do not align with actual risks. Banks would be forced to restructure liquidity management strategies to accommodate reporting requirements that do not align with actual risks.		
10.	**Paragraph 11.2** Following the 12th month after the date that the bank or controlling company itself has been designated as a D-SIB or D-SIFI, the aggregate amount of its concentrated credit exposure calculated in accordance with the relevant requirements specified in regulation	Although the level of exposure between D-SIBs (Domestic Systemically Important Banks) and D-SIFIs (Domestic Systemically Important Financial Institutions) has remained unchanged, all such institutions are required to comply with Regulation 24(6) within 12 months of being designated. However, Section 11.2 of the Proposed Directive—which mirrors Section 9 of the 2022 version—may create interpretational ambiguity. It could be read to imply that only	Recommend that paragraph 11.2 of the Proposed Directive be amended to expressly provide that both newly and previously designated D-SIBs/D-SIFIs are required to maintain compliance with the exposure limits on an ongoing basis, not just within the initial 12-month window.	*The PA is of the view that this paragraph is clear and aligns to the requirements of the Regulations.*

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	24(6) of the Regulations to a D-SIB or DSIFI complies with the requirements set out in the remainder of paragraph 11.2	newly designated D-SIBs/D-SIFIs are subject to the 12-month compliance rule.		
11.	**Paragraph 12.2** The PA acknowledges the interconnectedness between entities within a group, but also acknowledges that, for the LEX requirements, intra-group exposures cannot necessarily and in all cases be regarded as a group of connected counterparties and be	In respect of certain project finance transactions and large corporate groups, it may not be appropriate to aggregate exposures solely based on common ownership. Rather than listing detailed criteria, we propose that the same principle be extended to other counterparties—such as ring-fenced entities in project finance structures—that have no recourse to the parent or other subsidiaries. These entities often operate independently in terms of governance, financial performance, and risk exposure, and should be assessed on their own merits when determining	Clarification regarding the interpretation and application of the Prudential Authority's requirements for identifying a "group of connected counterparties" under the Large Exposures (LEX) framework, particularly in relation to the treatment of intra-group exposures and the potential inclusion of non-related parties (for example, specifically in respect of project finance transactions and large	*The requirements of regulation 24(6)(b) of the Regulations are applicable:* - *banks are required to determine whether a control relationship exists* ***and/or*** *a situation of economic interdependence (or connectedness) exists; and* - *in exceptional cases, even if control or economic interconnectedness between entities is established, a bank or controlling company may apply to the PA to demonstrate where entities should not be treated as a single counterparty.*

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	regarded as a single counterparty.	connectedness under the Large Exposures framework. While the principles of grouping emphasize ownership as a key indicator of interconnectedness, this should not apply in the case of certain project finance deals. Even where ownership is present, these structures are typically ring-fenced, with exposures confined to the specific Special Purpose Vehicle (SPV). There is no legal or financial recourse to the broader group, and no realistic risk of default contagion to other entities. As such, they do not meet the substantive criteria for interconnectedness and should be treated independently.	corporate entities where there is no single risk). Amendment to wording to allow flexibility for the relevant board committee of a bank to determine whether the exposure of these types of entities/ transactions/ groups should be aggregated based on predefined criteria.	
12.	**Paragraph 13** *Application of the large exposure requirements on a foreign subsidiary or branch of a bank*	We would appreciate confirmation and guidance regarding the interpretation and application of paragraph 13 of the directive, which addresses the treatment of large exposures for foreign subsidiaries or		*Please refer to the comment matrix to Directive 3 of 2022, regarding "other" which discusses the tier 1 capital base for determining a LEX for a branch.*

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	controlling company required to report on a solo basis	branches of a bank controlling company that is subject to solo reporting requirements. Specifically, we seek clarity on whether a foreign branch of a banks controlling company incorporated in the Republic is required to report credit concentration risk exposures on Form BA610, using as a reference base the Tier 1 capital of the parent bank in South Africa, as defined under regulation 24(7)(a)(v) of the Regulations. To ensure consistency and compliance, please confirm: • Whether the parent bank's qualifying Tier 1 capital, as calculated in accordance with the relevant regulatory provisions, should be used		*The proposed Directive should be read with the requirements stipulated in the Regulations.* *A foreign institution conducting the business of a bank in South Africa must assess and report large exposures based on the capital and reserve funds* ***<u>of the said foreign institution (foreign parent institution in foreign country).</u>*** *Similarly, a branch of a South African bank must assess and report large exposures based on the stipulated capital and reserve funds* ***<u>of the parent bank in South Africa</u>****.*

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		as the denominator when assessing large exposures by the foreign branch.		
13.	**Annexure 1 of Proposed Directive** Proposed reduction of the monthly intragroup exposure limit from 25% to 15%, as it pertains to the treatment of intragroup exposures under the Large Exposures (LEX) framework	Bank is not supportive of the proposed reduction to 15%, as its implementation will result in a breach of the applicable exposure limits. The proposed reduction would materially constrain a bank's ability to manage its internal funding and liquidity arrangements within the group, and may inadvertently lead to non-compliance with the Prudential Authority's regulatory requirements.	Revert to 25%	*Please refer to response to comment 6 above.* *For each exposure to a subsidiary within the banking group, which is an intragroup exposures other than intragroup exposures risk weighted at 0% in terms of regulation 23(6)(j) of the Regulations, the limit must be based on the relevant amount of tier 1 capital and reserve funds, specified in regulation 24(7)(c) of the Regulations.* *Furthermore, Directive 3 of 2022 provided a transitional period to allow banks designated as D-SIBs to reduce their maximum exposures to other SIFIs, where, based on an average daily balance for the month, a threshold of 15 per cent of the bank's qualifying common equity tier 1 capital and reserve funds and additional tier 1 capital and reserve funds would need to be met from 1 January 2025.*

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14.	**Proposed Directive - Large Exposure requirements**	For foreign branches there should be explicit mention that the capital requirements for foreign branches are measured against the parent’s balance sheet.	From April 2022 SARB comments paper #45: *For a foreign institution that conducts the business of a bank through a branch in the Republic, the limit should be based on the qualifying tier 1 capital and reserve funds of the said foreign institution that conducts the business of a bank through its branch in the Republic.*	*Please refer to response to comment 12 above.*
15.	**General**	Section 73(1)(a) of the Banks Act requires Board (or Board committee) approval for exposures exceeding 10% of capital and reserves. The legislative language appears to reference this threshold on a gross basis, while the proposed LEX framework applies a more refined calculation — adjusting for CCFs and impairments at the 10%	We respectfully request that consideration be given to aligning the interpretation of Section 73 with the LEX framework, or alternatively, for interpretive guidance to be issued to clarify how these two requirements are intended to interact. Such alignment would	*While the Banks Act,1990 (Banks Act) refers to this threshold on a gross basis, which is a maximum loss basis, the LEX framework requires exposures to be assessed after applying relevant CCFs subject to a 10% floor, and specific credit impairments, but before applying any eligible CRM.* *The intention of section 73 of the Banks Act is governance-focused and ensures that boards*

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		threshold, and CRM at the 25% breach test. This creates uncertainty as to whether Board approvals under Section 73 should be based on gross facility limits, or on adjusted exposures per the LEX methodology. The resulting ambiguity may lead to inconsistent treatment across banks and internal processes.	support streamlined governance processes and consistency in application.	*actively oversee and approve exposures that may pose material concentration risk. It is not a prudential calculation standard, but a safeguard to ensure that banks do not extend significant credit to a single counterparty or group of connected counterparties without appropriate oversight.* *Regulations 24(6) to 24(8) of the Regulations, read with Directive 3 of 2022 and Directive 5 of 2008, extend the governance principle of section 73 of the Bank's Act into a prudential framework for managing credit concentration risk.* *The LEX framework introduces calibrated adjustments, such as CCFs and impairments based on assumptions of diversified portfolios and markets, which are appropriate for supervisory and capital purposes.* *However, from a governance perspective and for the purposes of section 73 of the Banks Act, the maximum potential loss from a counterparty*

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				failure must be considered without relying on diversification or CRM assumptions. Therefore, board approvals under section 73 of the Bank's Act should be based on gross exposures or facility limits, reflecting the full credit risk before mitigation. This ensures that governance decisions are made with a conservative view of risk. *In summary, while the LEX framework refines exposure measurement for regulatory compliance, section 73 of the Banks Act serves as a complementary governance provision.*
16.	**Development work required / timing considerations**	The requirement to report values for foreign subsidiaries based on a percentage of their own CET1, even though this is not a limit (i.e. being based on the group's CET1 instead), will necessitate significant system development as the volume of data being	Suggestion that banks be given a reasonable time period of at least 6 months to start reporting this requirement, especially given it's not a direct limit, but primarily for reporting processes.	*Institutions are reminded to refer to the PA's responses in the comment matrix to Directive 3 of 2022,[3] regarding "foreign subsidiaries".* *The proposed Directive should be read with the requirements stipulated in regulations 24(7)(a)(iii) and 24(7)(c)(iii) of the Regulations.*

[3] Available online at: Directive 3 of 2022 - Comments in respect of previous large exposures proposed Directives

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		included in the BA return will increase materially.		*A foreign subsidiary reporting on a solo basis, where the PA supervises the controlling company, the* ***<u>specified amount for considering whether an exposure is a LEX is based on 10% of the subsidiary's Tier 1 capital and reserve funds</u>****.* *Similarly, for such foreign subsidiaries, the* ***<u>specified LEX percentage limit and amount must be based on the controlling company's Tier 1 capital</u>*** *and reserve funds, unless otherwise directed by the PA.*
17.	**Alignment of exposure disclosures in Tables 16 and 24 of the BA210 return.**	We would like to raise a point of clarification regarding the alignment of exposure disclosures in Tables 16 and 24 of the BA210 return, particularly in the context of different filtering methodologies that impact consistency and interpretation. Table 16 requires disclosure of all *large exposures* where the aggregate exposure to a counterparty or group of connected	We recommend that further guidance or alignment be considered to clarify whether the two tables should reflect consistent filtering methodologies (e.g. using post-CCF but pre-CRM exposure values), or whether they are	*The reporting requirements of the "large exposures to a person" and the "20 largest exposures tables differ given that exposures do not need to be classified as a LEX to be reported in the latter table.* *Paragraphs 7.1 to 7.1.3 of the proposed Directive states when an exposure would be considered as a LEX, while paragraphs 7.2 to 7.2.3 of the proposed Directive, states the*

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		counterparties is equal to or exceeds 10% of the bank's Tier 1 capital and reserve funds, in line with regulation 24(7)(a) of the Regulations. The exposure value in this table is calculated: • After applying the relevant Credit Conversion Factors (CCF) (subject to a minimum floor of 10%), • After accounting for any specific credit impairment, • But before applying any eligible Credit Risk Mitigation (CRM) techniques. In contrast, Table 24, based on guidance received from the Prudential Authority, requires reporting of the top 20 largest exposures based on gross credit exposure values, without the same adjustments for CCFs or credit impairments, and	intentionally serving distinct analytical purposes. Harmonizing or at least transparently contrasting these treatments would support greater comparability and auditability of the BA210 (and BA600) submission.	*relevant aggregated exposure amount that must be less than or equal to the relevant LEX limits.* *In order to indicate whether a relevant aggregated exposure must be considered as part of the "20 largest exposures", a new paragraph 10.1 has been included to the new proposed Directive.* *Furthermore, the proposed Directive indicates the various columns in these tables that must be based on the Regulations and the requirements of Directive 6 of 2025*[4]*.*

[4] Available online at: D6-2025 - Directive returns to be submitted to the PA from 1 July 2025

No	Reference in proposed Directive	Comment/Issue (as provided by the commenter)	Proposed wording/comment	Prudential Authority's (PA) response
		potentially including CRM effects. This means: • The filter used in Table 24 does not align with the regulatory definition of "large exposure" as per Table 16. • As a result, there are material differences between the exposures disclosed in each table, causing confusion when attempting to reconcile the top 20 exposures in Table 24 with those in Table 16 that exceed the 10% threshold.		
18.	**Effective date**	Feedback on the proposed directive is due 26 June 2025 to the PA, with the effective date being 1 July 2025 (as stated per Guidance note 3 of 2023). These timelines do not provide sufficient time for a comprehensive consultation and engagement process, nor does it provide	We request that the effective date be reconsidered.	*The final Directive will become effective from the date of publication.*

No	Reference in proposed Directive	Comment/Issue (as provided by the commenter)	Proposed wording/comment	Prudential Authority's (PA) response
		sufficient time for any implementation considerations (system development etc.).		