Basel Committee on Banking Supervision

LEX
Large exposures
LEX20
Requirements

Version effective as of 15 Dec 2019

First version in the format of the consolidated framework.
Minimum requirement – the large exposure limit

20.1 The sum of all the exposure values of a bank to a single counterparty or to a group of connected counterparties must not be higher than 25% of the bank’s Tier 1 capital at all times. However, as explained in LEX40, this figure is set at 15% for a global systemically important bank’s (G-SIB’s) exposures to another GSIB.

20.2 The exposures must be measured as specified in LEX30. Tier 1 capital for the purpose of the large exposures framework is the Tier 1 capital defined in CAP10.2.

20.3 Breaches of the limit, which must remain the exception, must be communicated immediately to the supervisor and must be rapidly rectified.

Regulatory reporting

20.4 Banks must report to the supervisor the exposure values before and after application of the credit risk mitigation techniques. Banks must report to the supervisor:

(1) all exposures with values measured as specified in LEX30 equal to or above 10% of the bank’s Tier 1 capital (ie meeting the definition of a large exposure in LEX10.8);

(2) all other exposures with values measured as specified in LEX30 without the effect of credit risk mitigation being taken into account equal to or above 10% of the bank’s Tier 1 capital;

(3) all the exempted exposures with values equal to or above 10% of the bank’s Tier 1 capital; and

(4) their largest 20 exposures to counterparties measured as specified in LEX30 and included in the scope of application, irrespective of the values of these exposures relative to the bank’s Tier 1 capital.