

Basel Committee on Banking Supervision

LEX

Large exposures

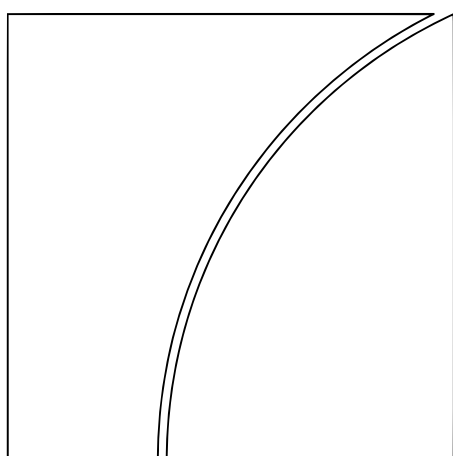
LEX40

Large exposure rules for global systemically important banks

This chapter describes the tighter limits
applying to exposures between global
systemically important banks.

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First version in the format of the consolidated
framework.



BANK FOR INTERNATIONAL SETTLEMENTS

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40.1

The large exposure limit applied to a global systemically important bank's (G-SIB's) exposure to another G-SIB is set at 15% of Tier 1 capital. The limit applies to G-SIBs as identified by the Basel Committee (see [SCO40](#)) and published annually by the Financial Stability Board (FSB). When a bank becomes a G-SIB, it and other G-SIBs must apply the 15% limit within 12 months of this event, which is the same time frame within which a bank that has become a G-SIB would need to satisfy its higher loss absorbency requirement (see [RBC40.6](#)).

40.2

Member countries are at liberty to set more stringent standards, as with any other standards approved by the Committee. In particular, the concern about contagion that has led the Committee to propose a relatively tighter limit on exposures between G-SIBs applies, in principle, at the jurisdictional level to domestic systemically important banks (D-SIBs). The Committee therefore encourages jurisdictions to consider applying stricter limits to exposures between D-SIBs and to exposures of smaller banks to G-SIBs. The same logic would also be valid for the application of tighter limits to exposures to non-bank global systemically important financial institutions, and such a limit might be considered by the Committee in the future.

40.3

The assessment of the systemic importance of G-SIBs is made using data that relate to the consolidated group (see [SCO40.5](#)) and, consistent with this, the additional loss absorbency requirement will apply to the consolidated group. But, consistent with the additional loss absorbency requirement for G-SIBs, the application of the relatively tighter limit on exposures between G-SIBs at the consolidated level does not rule out the option for host jurisdictions of subsidiaries of a group that is identified as a G-SIB to also apply the limit at the individual legal entity or consolidated level within their jurisdiction, ie to impose the 15% limit on the subsidiaries' exposures to other G-SIBs (defined at the individual legal entity or consolidated level within their jurisdiction).