



Large Exposures: Changed regulations 2011



General comments of new large exposure rules

- **Changes to large exposure regulation threaten the cross-border banking models with a subsidiary structure. Institutions with a branch structure are less affected.**
- **Economies of scale are likely to suffer drastically if banks are forced to treat its own subsidiaries in different countries in a similar manner as any other financial institutions.**
- **This goes against the fundamental idea of single European market. If similar regulatory changes are not adopted worldwide this is likely to further reduce Europe's competitiveness globally.**
- **Furthermore, the ability of tightening the large exposure regulation to be effective in reducing systemic risk concerns. Now when it is in force in the present form it is actually likely to increase these risks by reducing the money market liquidity and reducing efficiency of the European banking market.**
- **The direct retail client business unlikely to be materially impacted**
- **Counterparty lines towards financial institutions as part of funding and risk handling is affected severely especially in a subsidiary structure**

Consequences of new large exposure rules in the interbank market

- **Handling of liquidity:**

- **In a crisis situation the handling of liquidity for financial institutions will be much more difficult:**
 - **as it will be spread to larger amount of financial institutions**
 - **which most probably are also smaller by size**
 - **The credit exposure will also be more spread - so not only dealing with the best rated fin. Institutions any more**
- **More reporting needed on a national level**
- **Local/country specific limits – more strict today than before**
- **We can see that the amount dealt are smaller**
- **As a consequence of the financial turmoil, FSA's would want to see more liquidity managed locally**

Implications of extended scope of connected clients

- High impact
- Exposure type affected
 - All
- Business impact
 - New internal definitions and rules
 - Development in IT as a consequence – and very complicated
 - Biggest challenge: cross border exposures/connectedness
- Not directly driven by specific customer type