

GUIDELINES TO MONITORING OF LARGE EXPOSURES

(Annexure to Circular No 32/2013)

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GUIDELINES TO MONITORING OF LARGE EXPOSURES

(Annexure to Circular No 32/2013)

INTRODUCTION

In the past, the main causes of bank insolvencies in many countries have been defaults on big individual loans and inadequate credit dispersion. This was attributable to an over-concentration of exposures to a single borrower or to a group of related borrowers which resulted in an unacceptably high risk of loss. For this reason, the Central Bank of the UAE (Central Bank), in its attempt to ensure the sound functioning of the banking system within the UAE, set rules aimed at preventing banks from incurring credit losses which might arise if an excessive concentration of exposures to a single borrower or to a group of related borrowers was not addressed.

The capital of a bank not only fulfills a liability function for its depositors but also plays an important role as a factor for limiting business risk and as a buffer against losses. The most appropriate way, therefore, to reduce credit risk is to limit a bank's large exposures relative to the size of its capital base.

In addition to setting limits for large exposures, the Central Bank considers that it is also important to give guidelines concerning lending policies and procedures in general for all banks operating in the UAE. Moreover, the Central Bank has decided to monitor very closely the loan portfolio of each bank especially with regard to large exposures.

The guidelines given in the following pages have been prepared in order to explain the new rules to banks in detail and also to draw their attention to the specific risk arising from excessive exposures: they form an integral part of Circular No 32/2013. These guidelines must be supplemented with the relevant Basel Committee standards.

1. Definitions

1.1 Large exposures and large exposure limits

Large exposures are those funded and unfunded outstandings and committed unused limits (less provisions, cash collaterals, bank guarantees and Federal Government guarantee) which a bank allows to a single borrower or his group which in total equal to or exceed 10% of the bank's capital base. Any exposure beyond this percentage must be incurred in accordance with these regulations and guidelines. Suitable adjustments are allowed for exempted exposures as described in Para 2.11 and for computation of CCF in respect of contingent exposures.

Large exposure limits refer to the level of maximum exposure which a bank may allow to a single borrower or his group. These limits are specified in the Table contained in Article (2) of Circular 32/2013.

1.2 Exposure values to compute large exposures

In accordance with Basel framework, exposure values are derived for individual risk categories such as *banking book on balance sheet non-derivative assets, banking book "traditional" off-balance sheet commitments (applying CCF), positions in the trading books (excluding options), options in the trading book, and counter-party credit risk from derivatives, securities financing transactions, and long settlement transactions across both banking and trading books.*

1.3 Borrowers and group of related borrowers

A single borrower shall mean any single natural or juridical person.

A group or related borrowers shall mean:

- two or more natural or juridical persons who unless shown otherwise, constitute a single risk because one of them, directly or indirectly, has control over the other or others, or can exercise a controlling influence over the other or others in making financial and operating decisions;

or

- two or more natural or juridical persons between whom there is no relationship of control but who are to be regarded as constituting a single risk because they are so interrelated that, if one of them were to experience financial problems, the other or all of the others would be likely to encounter repayment difficulties such as failing to honour an obligation in a timely manner or in full.

The Central Bank reserves the right to determine individual exposures as connected.

1.4 Control and controlling influence

Control or controlling influence shall mean the relationship between a parent company and a subsidiary, where the parent holds a minimum of 50% of the subsidiary's share capital or has control over it via, for example, the composition of the board of directors, or via a similar relationship between any natural or juridical person or company.

1.5 Stand-alone Government Related Enterprises (GREs)

A Government Related Entity (GRE) that is profitable and can service its debt obligations from its own resources/ operations, without need for any implicit or explicit government support and holds a rating of not less than BBB- (or equivalent) from one of the top three rating agencies can be treated as a single obligor or "stand-alone entity" for the purpose of large exposure limits.

1.6 Principal shareholders

In the context of these regulations, a principal shareholder shall mean any natural or juridical person, single or related as defined in section 1.3 above, holding 5% or more of a bank's voting share capital.

1.7 Capital Base

The capital base of a bank is the same as that used for capital adequacy purposes, as defined in the Central Bank's Circular No 27/2009 and calculated in accordance with Basel II.

1.8 Credit Conversion Factor (CCF)

Unfunded exposures may be adjusted for CCF in accordance with Basel II (Refer to Annexure B-3 for details).

1.9 Bank's subsidiaries and affiliates

If a bank holds 20% to 50% share capital of another institution, it is classified as 'affiliate' and if it holds 50% or more, it is classified as 'subsidiary'. However, if the parent company has majority control over the voting power of the board of that company, it should also be classified as a subsidiary.

2. Limits on Large Exposures

In addition to the limits set out in the Table in Article (2) of Circular No 32 /2013, the Central Bank gives the following explanations and instructions in respect of large exposures to a single borrower or to a group of related borrowers:

2.1 Federal Government

Exposures to Federal Government and their non-commercial or commercial entities which are fully guaranteed by the Federal Government are exempt from large exposure limits. Similarly, deals transacted by a bank on behalf of the Federal Government are also exempt. However such exposures are required to be reported in BRF 77.

2.2 UAE Local Governments and their non-commercial entities

Aggregate funded and unfunded exposures to UAE Local Governments and their non-commercial entities are not permitted to exceed 100% of a bank's capital base. Within this upper limit, there is no individual cap for exposures to Local Governments however there is an upper limit of 25% for exposure to each non-commercial entity in the exposure group.

2.3 Commercial entities of Federal and Local Governments

The commercial entities of Federal Government which are not fully guaranteed and entities owned by UAE Local Governments are subject to aggregate exposure limit of 100% and individual limit of 25% of a bank's capital base. Stand-alone GREs that meet the definition contained in Article 2 of Circular 32/2013 (see note 4 to the Table of Maximum Large Exposure Limits) are however excluded from this group and exposures to them will be considered under (2.4) below.

2.4 A single borrower or a group of related borrowers

In the case where a borrower or group of related borrowers belongs to the private sector or it is an entity with Government ownership of less than 50% (but not controlled by them- refer to para 1.4 above) or meets the definition of "stand-alone" GRE, an individual limit of 25% will be applicable. No aggregate limit has been specified for this category.

2.5 Principal shareholders and their related entities

The Central Bank deems it undesirable that a bank lends heavily to its shareholders. Therefore, funded and unfunded exposures to a shareholder who owns 5% or more of a bank's capital (and his related entities) shall not exceed 20% individually and 50% in aggregate.

Where a principal shareholder (for natural persons, not governments) is also a member of a bank's board of directors, or a similar designated body, such exposures will be considered within the above aggregate exposure limits.

2.6 Interbank exposures

2.6.1 Interbank exposures within UAE with original tenure of 1 year or less are exempt from individual and aggregate limits.

2.6.2 Interbank exposures with original maturity period of 1 year or more are not allowed to exceed 30% of bank's capital base.

2.6.3 Exposures to banks operating outside the UAE, irrespective of their maturity are not allowed to exceed 30% of the bank's capital base.

2.7 Bank's subsidiaries and affiliates (exposures within a banking group)

Whenever a bank incurs an exposure to its own parent company or to other subsidiaries of its parent, particular concerns arise. Although the management of exposures should be carried out in a fully autonomous manner according to the principles of sound banking management and without regard to any considerations other than those principles, it cannot be excluded that a certain influence on credit decisions may be exercised by persons directly or indirectly holding a qualifying participation in such a bank. As a consequence thereof, this influence may be used to the detriment of the sound and prudent management of that bank. Therefore, the Central Bank has decided to set the individual limit for an exposure at 10% in such case and to fix an aggregate limit for all such exposures at 25% of a bank's capital base.

2.8 Board Members

2.8.1 A bank is not allowed to incur a funded or unfunded exposure to a member of its board of directors, or of a similar designated body, which exceeds 5% of its capital base. All such exposures, taken together must not exceed 25 % of the capital base.

2.8.2 Where a member of a bank's board of directors, or of a similar designated body, is part of a group of related borrowers, total exposures to him must be included under the group. Similarly, the group's exposures must be taken into consideration when calculating the member's exposures which are not allowed to exceed 5% of a bank's capital base. Where such member is also a principal shareholder, the rules set out in Para 2.5 will apply.

2.8.3 Exposures must be measured on a gross basis. However collaterals mentioned in para 1.1 are allowed to be deducted for arriving at the net exposure.

2.8.4 Where a bank incurs an exposure for the purpose of real estate financing, fully registered mortgages are required.

2.8.5 Exposures shall only be incurred on a commercial basis and on market terms. Moreover, the fact that the borrower is a member of the board of directors or of a similar designated body must in no way influence the bank's credit assessment and decision.

2.8.5 A bank must ensure full recovery of all exposures to members of its board of directors or of a similar designated body.

2.8.6 Branches of foreign banks operating in the UAE are not allowed to incur an exposure to their board members who are working abroad.

2.8.7 In case a bank is obliged to book interest due from an exposure to a member of its board of directors, or of a similar designated body, in a suspense account and/or to make a bad debt provision and/or to write off an exposure, either partly or fully, the following rules shall apply:

- a) In case of UAE incorporated banks, the board of directors must obtain the approval of the bank's general assembly, in the presence of the bank's external auditors, and a copy of the meeting's minutes shall be filed with the Central Bank without delay.
- b) In case of branches of foreign banks operating in the U.A.E., the approval of the head office must be obtained and a copy thereof shall be filed with the Central Bank without delay.
- c) The member concerned shall not participate in the decision of the board of directors, or of a similar designated body.
- d) Banks are prohibited from granting any new facilities to a member of its board of directors, or to a member of a similar designated body, after the procedures, mentioned under (a) and (b) above, have been engaged.

2.9 Bank's employees

Employees are defined as staff members of all levels, including executive managers. Banks are prohibited from incurring exposures to their employees other than in the form of personal loans, as defined in the Central Bank's Regulations No.29/2011. Branches of foreign banks operating in the UAE are not allowed to incur an exposure to their staff who are not working with their UAE branches.

Individually the exposures are limited to 20 months' salary with an aggregate limit of 3% of the bank's capital base. Housing loans extended to staff members in accordance with Central Bank Regulations and bank's housing loan policy duly approved by their board of directors, are excluded from these limits.

2.10 Exposures to auditors, consultants and lawyers

In order to avoid any conflict of interest between a bank and its statutory auditors, regular consultants and lawyers, the Central Bank instructs banks not to incur any exposure to such parties. In this context, a 'regular' consultant or lawyer means any person or firm who is employed on a regular basis either under a 'retainer agreement' for a specified period or under a more general 'understanding' according to which the bank would make use of the services offered by such persons or firms for most of its needs or cases.

2.11 Exempted exposures

The following exposures are exempted from the application of Article (2) of the Circular No 32/2013 and from the individual and aggregate limits fixed in sections 2.2 to 2.9 of the Guidelines:

- 2.11.1 Asset items constituting direct or indirect claims on/ or guaranteed by the UAE Federal government including its non-commercial public sector entities;
- 2.11.2 Asset items constituting claims on/ or guaranteed by eligible multilateral development institutions and their affiliates as per Appendix 8 of the BASEL II Implementation Guidelines vide Circular No 27/2009.
- 2.11.3 Asset items secured by collateral in the form of securities issued by the entities mentioned in 2.11.1 or 2.11.2 above;

- 2.11.4 Investments made in marketable securities such as bonds/ Sukuks issued by Emirates Governments or GREs, rated not less than AA- (or equivalent) by one of the top three rating agencies, held to meet Central Bank's liquidity requirements or held in the trading book and the intention is not to hold such bonds/ sukuks till maturity;
- 2.11.5 Exposures secured by proper lien over deposits placed with the lending bank or its parent company or its subsidiary, under the condition that the lien can be legally enforced;
- 2.11.6 Any other asset or security which has been specifically exempted by Central Bank from the purview of large exposure requirement.

2.12 Additional guidelines for computation of exposure values:

Exposures, in either the banking or trading books, that will be in the scope of the large exposures framework can be categorized and should be measured as follows:

- 2.12.1 Banking book on balance sheet non-derivative assets, where the exposure measure is typically determined by accounting standards;
- 2.12.2 Banking book "traditional" off-balance sheet commitments where the exposure measure is the product of the notional amount of the commitment and the credit conversion factor (CCF) applied (refer to Annexure B-3 for additional details);
- 2.12.3 Positions in the trading book (excluding options) where the exposure measure is based on the mark-to-market approach of the risk-based capital requirements;
- 2.12.4 Options in the trading book where the exposure measure is based on a mark-to-market approach with a jump-to-default assumption; and
- 2.12.5 Counterparty credit risk from derivatives, securities financing transactions, and long settlement transactions across both banking and trading books, where the counterparty credit exposure measure is determined by one of the methods of the counterparty credit risk framework.

Banks may refer to Basel standards/ Basel Team in the Central Bank for further clarification on specific issues.

2.13 Continuous compliance

Banks have to comply with the limits set above at all times, that is, not only on the reporting dates but continuously throughout each reporting period.

3. Reporting Requirements

- 3.1** All large exposures, as defined in Article (2) above, have to be reported to the Central Bank on a monthly or quarterly on consolidated gross basis in accordance with Annexure B-1 and B-2 attached to the Circular 32/2013. (Local banks with branches, subsidiaries or associates abroad will submit consolidated returns). Monthly and quarterly reports are required to be submitted online, in accordance with the schedule provided. Any large exposures existed at any time during the quarter will be included in the reports though it might have been repaid by date of the report.

3.2 The Central Bank reiterates that the members of the board of directors and the members of similar designated bodies of banks are fully responsible for the submission of punctual and complete reports.

3.3 Should a bank fail to submit information or submit incomplete or inaccurate information regarding the return forms or fail to inform the Central Bank of any intra-quarter excess by special notification, pursuant to this regulation, the Central Bank will impose penalties in accordance with Union Law No. (10) of 1980.

4. Management's Responsibilities

4.1 General responsibilities for credit policy

The Central Bank considers that the granting of credit is, generally, the core area of banking business and, therefore, the board of directors or a similar designated body and the management of banks operating in the UAE are responsible for their bank's credit policy.

Consequently, the Central Bank directs banks to formulate general credit policy instructions aimed at ensuring a prudent lending structure. Each bank's board of directors, or a similar designated body, has to approve and to implement these instructions in a way that allows for proper monitoring of all exposures.

Moreover, the Central Bank requires that a proper credit evaluation with relevant documentation will be undertaken prior to granting any credit facility.

With regard to the specific risk arising from exposures to individual countries, banks are requested to apply an extremely prudent policy when fixing country limits. The Central Bank recommends that banks should refer to internationally renowned credit rating agencies.

4.2 Special responsibilities for large exposures

The complete loss of a large exposure may represent a considerable burden on any lending bank's capital base. The Central Bank, therefore, has stipulated that large exposures may only be granted on the responsibility of the entire board of directors of the bank, necessitating a unanimous resolution on the part of all of its members or of the members of a similar designated body.

The resolution may be passed at a meeting or in writing on a circulation basis, provided that adoption is made on unanimous acceptance.

Any such resolution has to be passed prior to the lending and a copy of it must be placed in the customer's file. Where a bank has incurred a large exposure without the required prior resolution of all members, this does not impair the legal effectiveness of the transaction. However, the Central

Bank reserves the right to take appropriate action in accordance with Union Law No. (10) of 1980 and related regulations of the Central Bank based thereon.

Any existing exposure, becoming a large exposure by an increase of credit facilities, also requires a unanimous resolution of all members. In the event that an existing exposure becomes a large exposure through a reduction of the capital base, the Central Bank directs that the board of directors of the bank deliberates thereon. The board of directors must appropriately document its awareness and subsequent decisions concerning remedial action.

Under very special circumstances only, banks may deviate from the general principle of a unanimous resolution. Any such exemption must be documented properly. The Central Bank, in the course of its examinations, will verify each such case.

4.3 Special responsibilities for exposures to members of a bank's board of directors

A bank shall only incur an exposure to a member of its board of directors, or of a similar designated body, on the basis of a unanimous resolution on the part of all members, except the member concerned, provided that the bank's general credit policy instructions have been followed. The resolution has to be passed prior to the lending and a copy of it must be placed on the member's file. In order to avoid any conflict of interest banks are requested to be very prudent when incurring exposures to members of their board of directors, or of a similar designated body.

4.4 Assessment of credit-worthiness

A proper assessment of a borrower's credit-worthiness serves to protect both the bank and its depositors and creditors.

It should be beyond question that lending business is only conducted with the necessary prudence customary in banking; that is, before granting a loan, the bank must be convinced that the prospective borrower is credit-worthy.

The Central Bank, therefore, advises all banks operating in the U.A.E. not only to examine the credit-worthiness of their customers in detail before granting any loan, but also to ensure a proper follow-up regarding the financial situation of each customer throughout the whole business relationship.

Banks have to make sure that they can detect any deterioration in their customers' financial situation with minimal delay. For this purpose, they are expected to review their loan books on a regular basis and ask their customers for up-dated information.

Banks must insist that major borrowers disclose reliable evidence of their financial situation by submitting financial statements, other relevant information, and signed declarations of their independence from the bank, its principal shareholders, directors and officers.

Regarding corporate customers required to keep accounts, banks should obtain regular audited annual financial statements and ensure that they are kept informed of any major changes in the customer's business environment or other variables of such customers occurring throughout the year.

In the case of loans to group enterprises, banks must obtain the individual financial statements of the borrowing group enterprise as well as the consolidated statements of the group itself.

In cases where the head office of a foreign bank or a fellow branch abroad decides on loans to be granted by its UAE branch to borrowers with activities in the UAE, the Central Bank insists that full documentation be made available to the bank's UAE branch.

With regard to borrowers who are not obliged to prepare financial statements, banks must obtain statements of assets and liabilities, land register excerpts, property tax and/or income tax assessment notices and confirmation of salary, where applicable. The question as to what documents the credit-worthiness assessment is to be based on may be decided on a case by case basis.

Banks may, in exceptional cases only, refrain from requesting a complete disclosure of a customer's financial situation where the requirement to disclose would be clearly unjustified due to the type and level of security provided; for example, where the security provided covers the repayment of the loan, including interest, at all times, at the following minimum values or after the following minimum adjustments:

Time/saving deposits:	-nominal value
Life insurance policies:	-surrender value
Fixed and floating interest securities:	- quoted market price less a markdown of 20%
Equities:	-quoted market price less a markdown of 40 %
Precious metals: (gold coins/ingots)	-market price less a markdown of 30% (special caution is advisable)
Pledged goods:	-50% of wholesale price
Mortgage rights:	-60% of market value of the property*

* The market value must be determined by an independent expert and it should not exceed 10 times the yearly obtainable rent.

Other securities than mentioned above, especially unquoted securities, are not considered appropriate by the Central Bank. Banks are free to be more prudent in fixing higher markdowns particularly when the market is facing national or international financial problems. However banks should ensure that they hold adequate collaterals in respect of large exposure cases.

The waiver of the disclosure of financial situation may also be justified in the light of the credit-worthiness of guarantors. In this case, the bank must be informed about the financial situation of the guarantors according to the same principles as in the case of borrowers. Moreover, only such persons may be acceptable as guarantors who, in addition to the borrower, have assumed a legal obligation for

a particular loan. All persons or enterprises already considered as a single borrower (within a group of related borrowers) are, however, exempted from qualifying as acceptable guarantors for this purpose.

The Central Bank emphasizes that, in the case of unsecured loans, the financial situation of a borrower be always disclosed irrespective of his credit-worthiness.

5. Control and Documentation

Sound administrative and accounting procedures are, in general, a prerequisite for a bank's proper management and control of its loan portfolio. In addition, regarding the identification, recording and reporting of large exposures, the Central Bank instructs banks to set up special mechanisms allowing for a correct monitoring of these exposures. A bank's internal instructions on large exposures should be an integral part of its general credit policy and, therefore, must be approved and appropriately documented by each bank's board of directors or by a similar designated body. The general credit policy instructions must also define the functions and responsibilities of a bank's subsidiaries and branches with regard to lending.

The Central Bank recommends that the accounting procedures and internal control systems of a bank be set up in close co-operation with each bank's external auditors.

6. Implementation

The revised limits as given in the Table in Article (2) will apply from the date of publication of these Regulations in the Official Gazette. The exposures that are out of line with the limits contained in the Table are to be regularised at the rate of 20% per annum, i.e. full compliance must be achieved in 5 years. Banks who have exposures outside the limits must provide the Central Bank, within 3 months of the date of implementation of these Regulations, with a detailed time-bound plan of action to achieve full compliance.

ANNEXURES:

- B-1 Special Banking Return Forms (BRFs 39, 76-87)
- B-2 Explanatory Notes to Special Banking Return Forms
- B-3 Credit Conversion Factors (CCFs) under Basel Guidelines

ANNEXURE- B MONITORING OF LARGE EXPOSURES

(Annexure to Circular No 32/2013)

Annexure B-1 Special Banking Return Forms (BRFs)

BRF 39	Large Borrowers with 10% Exposure to Bank's Capital
BRF 76	Aggregate Large Exposure Summary Sheet
BRF 77	Federal Government and their Non-Commercial Entities
BRF 78	UAE Local Government and their Non-Commercial Public Sector Entities
BRF 79	Commercial Entities of Federal & Local Governments (Excluding stand-alone GREs)
BRF 80	Stand-alone GREs
BRF 81	Single Borrower or a Group of Related Borrowers
BRF 82	Major Shareholders and Related Entities
BRF 83	Domestic Interbank Exposures
BRF 84	Overseas Interbank Exposures
BRF 85	Exposures within a Banking Group
BRF 86	Exposures to Board Members
BRF 87	Exposures to Bank Staff

Annexure B-2 Explanatory Notes to Special Banking Return Forms on Large Exposures**Annexure B-3 Credit Conversion Factors (CCFs) under Basel Guidelines**

BANKING AND MONETARY STATISTICS- AGGREGATE LARGE EXPOSURE SUMMARY SHEET- BRF 76

Name of the bank:		For the quarter ending:		(AED in 000)	
Capital Base (calculated as per CAR Return):		Aggregate regulatory limit (%)	Aggregate large exposures under each category		BRF Nos
Funded O/S, unfunded O/S and committed un-used limits			Total exposure	As % of capital base	
No	Large Exposure Categories				
1	Federal Government and their non-commercial entities	None			BRF-77
2	UAE Local Governments and their non-commercial entities	100%			BRF-78
3	Commercial entities of Federal Government and UAE Local Governments (ownership > 50%)- Excluding Stand-alone Entities	100%			BRF-79
4.1	Stand-alone commercial entities of Federal Government and UAE Local Governments (GRE rated BBB- or above)-Note 6	Not applicable			BRF-80
4.2	A single borrower or a group of related borrowers	Not applicable			BRF-81
5	Shareholders who own 5% or more of the bank's capital and their related entities	50%			BRF-82
6.1	Domestic interbank exposures - Over 1 Year	Not applicable			BRF-83
6.2	Overseas interbank exposures- Over 1 Year	Not applicable			BRF-84
7	A bank's subsidiaries and affiliates	25%			BRF-85
8	Board Members	25%			BRF-86
9	Bank employees (funded and unfunded)	3%			BRF-87
NOTES:					
1	Exposure is defined as the sum of: funded O/S, unfunded O/S and committed unused limits. Unfunded exposures may be adjusted for Credit Conversion Factors (CCF) in accordance with Basel II.				
2	The above definition of Exposure excludes marketable bonds/sukuks that are rated not less than AA- (or equivalent) by one of the top three rating agencies. Such bonds/sukuks should be held to meet Central Bank liquidity requirements or in the trading book and the intention is not to hold such bonds/sukuks to maturity.				
3	Exposure to Federal Government includes deals transacted or exposure taken on behalf of Federal Government.				
4	Non-commercial entities of the Federal and local Governments will include public utilities which provide goods or services on non-competitive basis.				
5	Commercial entities or GREs of the Federal and Local Governments will include their commercial companies where they own more than 50% share capital of the company. Those where the Government ownership is less than 50% will be reported under the "single borrower" category.				
6	A Government Related Entity (GRE) that is profitable and can service its debt obligations from its own resources/ operations, without need for any implicit or explicit government support and holds a rating of not less than BBB- (or equivalent) from one of the top three rating agencies can be treated as a single obligor or "stand-alone entity" for inclusion under item 4.1 of the table. The Government ownership in such entities should not be less than 50%.				
7	Total exposures under individual categories should be derived from the annexed supporting BRFs as indicated in the Remarks columns.				
FORM NO: BSD/BRF-76 LE SUMMARY /NOV13					

BANKING AND MONETARY STATISTICS- LE UAE FEDERAL GOVT & THEIR NON-COMMERCIAL ENTITIES- BRF 77

Name of the bank:	For the quarter ending:		(AED in 000)		
Capital Base (as per CAR return):					
Name of the borrowing entity	Funded O/S (Excl. Debt Securities)	Debt securities	Un-Funded O/S	Committed un-used limits	Total exposures
Total Exposure					
FORM NO: BSD/BRF-77 LE FED GOVT /NOV13					
Although such exposures fall in the exempted category, these are required to be reported regardless of amount for information.					

BANKING AND MONETARY STATISTICS - LE UAE LOCAL GOVT & THEIR NON-COMMERCIAL PUBLIC SECTOR ENTITIES - BR7 78

Name of the bank:		For the quarter ending:					(AED in 000)		
Capital Base (as per CAR return):									
Non-Commercial public sector entities (25% limit)		Funded O/S (Excl. Debt Securities)	Debt securities	Unfunded O/S	CCF amount	Committed unused limits	Total exposures	As % of capital base	Ref No of Central Bank Approval
Abu Dhabi	(sub total)								
Dubai	(sub total)								
Sharjah	(sub total)								
Ajman	(sub total)								
UAQ	(sub total)								
RAK	(sub total)								
Fujairah	(sub total)								
A. TOTAL EXPOSURE TO NON-COMMERCIAL ENTITIES									
UAE local Governments/ Departments (Aggregate limit for the group= 100% of capital base)									
ABU DHABI									
DUBAI									
SHARJAH									
AJMAN									
UAQ									
RAK									
FUJAIRAH									
B. TOTAL EXPOSURE TO EMIRATES GOVTS									
GRAND TOTAL (A+B) LIMIT 100%									
NOTES:	1. Entities reported on this list must match CB list of PSE								
	2. All entities falling in this category should be arranged group-wise. O/S must include bonds and sukuks which do not match the criteria of exclusion. Use additional rows as required.								
	3. All exposures are required to be reported regardless of amount.								

BANKING AND MONETARY STATISTICS- LARGE EXPOSURE TO MAJOR SHAREHOLDERS & RELATED ENTITIES- BRF 82

Name of the bank:	For the quarter ending:						(AED in 000)	
Capital Base (as per CAR return):								
Shareholders who own 5% or more of bank's capital and their related entities	Funded O/S (Excl. Debt Securities)	Debt securities	Unfunded O/S	CCF amount	Committed unused limits	Total exposures	As % of capital base (20% limit)	Ref No of Central Bank Approval
Total								
Aggregate Exposure Limit							50%	

Notes: Exposures to all borrowers/ groups falling in this category are required to be reported though exposures to individual shareholders may be below the limit.

BANKING AND MONETARY STATISTICS- OVERSEAS INTERBANK EXPOSURE- BRF 84

Name of the bank:		For the quarter ending:					(AED in 000)		
Capital Base (as per CAR return):									
Exposure to banks operating outside UAE		Funded O/S	Inter Bank CDs/Debt Securities	Unfunded O/S	CCF amount	Committed unused limits	Total exposure	As % of capital base (limit 30%)	Ref No of Central Bank Approval
	1	Remaining maturity less than one year							
	2	Remaining maturity more than one year							
	3	Total foreign interbank							
List of counter parties where remaining maturity per counterparty is more than one year:									
Country	Name of banks:								
Total									
Notes:									
1	All foreign banks branches exposure should be reported under the country of their Head Office								
2	Exposure to a subsidiary of a foreign bank should be reported in the country where subsidiary is registered.								
FORM NO: BSD/BRF 84-LE OVERSEAS INTERBK/NOV13									

BANKING AND MONETARY STATISTICS- LARGE EXPOSURES WITHIN A BANKING GROUP- BRF 85

Name of the bank:

For the quarter ending:

(AED in 000)

Capital Base (as per CAR return):

	Name of Entity/ Group	% share in capital	Funded O/S (Excl. Debt Securities)	Inter Bank CDs/Debt Securities	Unfunded O/S	CCF amount	Committed unused limits	Total exposure	As % of capital base (limit 10%)	Ref No of Central Bank Approval
1	Consolidated subsidiaries:									
1.1	Financial subsidiaries:									
1.2	Non-financial subsidiaries:									
1.3	Sub-total									
2	Non-consolidated entities: (Parent/ holding company and affiliates)									
2.1	Financial entities									
2.2	Non-financial entities									
2.3	Sub-total									
3	Grand total									
	AGGREGATE LIMIT									
									25%	

Notes: 1. Exposure to entities part of a banking group to which the reporting bank belongs, should be reported on this form.
 2. Equity or quasi equity investments in consolidated/ non-consolidated entities should not be included. Further, only funded exposure should be reported.

BANKING AND MONETARY STATISTICS- EXPOSURE TO BANK STAFF- BRF 87

Name of Bank : _____ For the quarter ending: _____ (AED in 000)

Capital Base (as per CAR return):

TOTAL OUTSTANDING LOANS TO BANK EMPLOYEES (UNDER REGULATION NO 29/2011)

Loan type	Number of loans	Balance O/S	As % of Capital Base	Remarks
1 Personal loans (excluding housing)				
2 Car Loan				
3 Overdraft				
4 Credit card outstanding				
5 Total (Limit 3%)				

6 Total Housing loans					
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LIST OF LOANS WHICH DO NOT MEET THE CRITERIA LAID DOWN IN REGULATIONS 29/2011

S.N.	Name of staff	Original amount	Balance O/S	Loan period in months	Monthly instalment	Interest rate	Security/ remarks

STAFF HOUSING LOANS WHICH ARE OUTSIDE THE PERVIEW OF BANK'S STAFF HOUSING LOANS POLICY

S.N.	Name of staff	Original amount	Balance O/S	Loan period	Monthly instalment	Interest rate	Security/ remarks

EXPLANATORY NOTES TO SPECIAL BANKING RETURN FORMS (BRFs)
FOR LARGE EXPOSURES

(Annexure to Circular No 32/2013)

General Instructions for Completing Special Banking Return Forms for Large Exposures

- i. Banks must refer to Circular No 32/2013 along with Guidelines to Monitoring of Large Exposures and Explanatory Notes to BRFs in order to ensure correct submission of Special Banking Return Forms on Large Exposures.
- ii. The Special BRFs form a part of BRF system and should be uploaded accordingly. BRF 39 is monthly report and BRFs 76 to 87 are quarterly reports which must be submitted along with monthly and quarterly batches as instructed through BRF Platform.
- iii. Except for those exposures secured by cash collaterals, bank guarantees/ stand-by LCs and guarantee from the Federal Government, all other exposures are required to be reported on **gross** basis.
- iv. BRFs specified hereunder are in the summary form, listing entity/ group exposures and aggregate exposures. Banks however must maintain full details of such exposures including approvals of various types of facilities to group/ related entities, collaterals held, status of the accounts, variations and reductions in the exposures, CCF calculations, etc. which will be reviewed by the Central Bank Examiners from time to time.
- v. All large exposures are required to be reported on consolidated basis (including foreign branches and all financial subsidiaries domestic or international) as per Basel II capital framework. Lending to the same entity by group members that are consolidated, should be reported together and calculated as a percentage of the consolidated capital base. Foreign banks however need not report exposures taken by their head offices or overseas branches.

BRF- 39 Large Exposures at 10% / 15% of the Bank's Capital

A large exposure is defined as those funded and unfunded outstandings and unused committed limits (less provisions, cash collaterals, bank guarantees and Federal Government guarantee) to a single borrower or his group which in total is equal to or exceeds 10% of the bank's capital base or AED 750 Mln whichever is lower in case of resident borrowers. For Non-Resident borrowers, the above exposure amount has been fixed at 5% of capital base or AED 500 Million whichever is lower for reporting purposes.

In case of group accounts, banks must report the name of the group along with names of 5 largest borrowing entities within the group. Exposures within the banking Group are not to be reported in this form.

Unfunded exposure should include committed unused limits of the borrower with adjustments for Credit Conversion Factor (CCF) in accordance with Annexure B-3.

BRF- 76 Aggregate Large Exposure Summary Sheet

This report lists summary of all large exposures specified in the Article (2) of the Circular on Table of Maximum Large Exposure Limits. The amounts are derived from BRFs 77 to 87 in order to monitor the aggregate exposures under individual categories.

- BRF 77 UAE Federal Government and their Non-Commercial Public Sector Entities:** Although exempted, reporting under the category is required for information purposes. Exposure to Federal Government will include deals transacted on behalf of Federal Government.
- BRF 78 UAE Local Governments and their Non-Commercial Entities:** Aggregate exposure under this category should not exceed 100% of capital base. The upper limit for individual non-commercial entities is 25%. Borrowing entities falling under this category should be listed Emirate wise. For the purpose of aggregation, all exposures under this category should be reported whether individually they exceed the specified exposure limit or not.
- BRF 79 Commercial Entities of Federal and Local Governments (Excluding stand-alone GREs):** This category includes Government Related Enterprises (GREs). Except for “stand alone” GREs as below, all exposures to relative GREs should be reported whether individually they exceed the specified exposure limit or not.
- BRF 80 Stand-alone Commercial Entities of Federal and Local Governments:** These include Government Related Entities (GREs) which are profitable and can service their debt obligations from their own resources/ operations, without need for any implicit or explicit Government support and hold a rating of not less than BBB- (or equivalent) from one of the top three rating agencies. These will be treated at par with “single borrower” with individual exposure limit of 25% of bank’s capital. No aggregation is required.
- BRF 81 Single Borrower or a Group of Related Borrowers:** This category will include private sector borrowers and companies where the government ownership of shares is less than 50%. In such cases, exposures to an entity or group should not exceed 25% of capital base. No specific aggregate limit has been fixed for this category. Lending to non-residents should be shown separately in the space provided if they exceed specified limit under these regulations.
- BRF 82 Major Shareholders and Their Related Entities:** Where exposures to major shareholders and their entities exceed 20% of bank’s capital individually and 50% collectively. If a board member or his entities fall under the major shareholder category, his exposure should be listed here.

All exposures to major shareholders whether they exceed the regulatory limit or not, should be reported for calculating the aggregate exposure.

- BRF 83** **Domestic and Overseas Interbank Exposures:** Inter-bank exposures are
BRF 84 exempted from the aggregate limit. However exposures to individual banks for a
period over 1 year are not allowed to exceed 30% of bank's capital base. Local
banks should report lending by their overseas branches, where applicable. Foreign
banks should report only on UAE operations.
- BRF 85** **LE to Bank's Subsidiaries and its Affiliates:** Exposures to them are subject to
10% individual limit and 25% aggregate limit. In case a consolidated subsidiary
or affiliate falls under other BRF as well, such exposures should be reported only
in BRF-1.
- BRF 86** **LE to Board Members and Their Related Entities:** Their exposure limits are 5%
of the bank's capital base as individual and 25% in aggregate. All exposures to
board members whether they exceed the regulatory limit or not, should be reported
for calculating the aggregate exposure. If a board member is also a major
shareholder of the bank, his exposure should be reported in BRF 86.
- BRF 87** **LE to Bank Staff:** Exposure to staff members should be incurred in accordance
with Regulations No 29/2011 of 23/02/2011. Aggregate of such exposures should
not exceed 3% of the bank's capital base. Staff housing loans are exempted from
the computation of large exposures vide Notice No 30/98 dated 17/1/1998 but
those outside the bank's housing loan policy should be reported.

**CREDIT CONVERSION FACTORS (CCF) UNDER BASEL GUIDELINES
(Annexure to Circular No 32/2013)**

In accordance with standardized approach under Basel II, banks may apply CCF percentages for off-balance sheet items determining large exposure limits. Since this is only a summarized list, banks may refer to Basel documents for additional information/clarification.

1. Credit Conversion Factor of 100%

- All direct credit substitutes, including general guarantees of indebtedness and all guarantee type instruments, such as standby letters of credit and acceptances, backing the financial obligations of other parties.
- Credit derivatives such as credit default swaps where the bank provides credit protection.
- Sale and repurchase agreements and asset sales with recourse, where the credit risk remains with the bank.
- Forward asset purchases, forward deposits and commitments for the unpaid portion of partly-paid shares and securities which represent commitments with certain draw-downs.

2. Credit Conversion Factor of 50%

- Transaction-related contingent items e.g. performance bonds, bid bonds warranties and standby letters of credit related to particular transactions.
- Underwriting commitments under note issuance and revolving underwriting facilities.
- Other commitments -Not unconditionally cancellable with an original maturity exceeding one year.

3. Credit Conversion Factor of 20%

- Other commitments not unconditionally cancellable with an original maturity of one year or less.
- Short-term self-liquidating trade-related contingent items e.g. documentary credits collateralised by underlying shipments.

4. Credit Conversion Factor of 0%

- Any commitment that is unconditionally cancelable.
- Any items of doubt may be referred to Basel Team at the Central Bank for their clarification/ decision.