

<b>MODULE</b>	<b>CM: Credit Risk Management</b>
<b>CHAPTER</b>	<b>CM-5: The Monitoring and Control of Large Exposures of Banks Licensed by the CBB</b>

## CM-5.5 Limits for Large Exposures (continued)

**CM-5.5.11** Exposure limits for connected counterparties have been set as listed below. Exposures (both on and off-balance sheet) to all connected counterparties listed below, when taken together, may not exceed 25% of consolidated Total Capital. Where any of these limits have been exceeded whether with or without the prior approval of the CBB (see Paragraph CM-5.5.7A), the excess amount must be risk-weighted at 800%.

Connected Counterparties	Individual Limit	Aggregate Limit	<i>0% Limit on Exposure to Controllers</i>
Controllers and their <u>subsidiaries</u>	0%	0%	
<u>Approved persons</u> (and their close family members) and Shari'a Board Members	10%	25%	
Associates, other related parties not mentioned above, and unconsolidated <u>subsidiaries</u>	15%		
<b>Total (including senior management and others)</b>		<b>25%</b>	

**CM-5.5.11A** Investments of a bank in a private equity, where the bank acts as the asset manager, and has less than 10% direct ownership in the operating investee company's capital, are not subject to the connected counterparty limits required in Paragraph CM-5.5.11, provided that the following conditions are met:

- a) Bank's representation in the operating investee company's board – whether through the bank's approved persons and controllers, and board and/or senior management of the bank's subsidiaries – is less than 50%;
- b) Exit strategies for each investment are documented, reviewed and monitored quarterly by the bank's board or a sub-committee of the board;
- c) Investment holding period does not exceed 5 years from the initial acquisition date of the subject investment; and
- d) Capital adequacy ratio of the bank is equal to or above 16% at all times, so that it can absorb any investment exposure, referred to in this Paragraph, after the lapse of the 5 years period from the initial acquisition date of the investment.