



BANKING COMMISSION

P.O. Box 1408

Majuro, Marshall Islands 96960

PHONE: (692) 625-6310

FAX: (692) 625-6309

INSTRUCTIONS AND REPORTING FORMS 10

LARGEST EXPOSURES

PURPOSE

The Largest Exposures return assists the Banking Commission in determining the level of concentration on the asset side of the bank's books, and hence the potential impact on the bank of the failure of large counterparties.

STATUTORY REFERENCE

Under Section 137 (1), the Commissioner is obligated to notify banks in writing of regulatory reporting requirements intended to strengthen supervision of the RMI banks.

Instruction 10 represents the official reference source applicable for the Largest Exposures return, for use by bank personnel with responsibility for regulatory reporting.

Banks that fail to submit timely and accurate Largest Exposures returns may be subject to fines under Section 137 (3).

Under Section 130 (1) (a), the exposure to any person or group of related persons cannot exceed 25% of the sum of unimpaired paid-up capital and surplus of the bank.

FREQUENCY/SUBMISSION DATE

All licensed banks are required to submit the Largest Exposures return within 30 days after the last business day of each month.

RECIPIENT

Banking Commission, MIDB Building, Floor 5 Room 501, Majuro.

Phone: (692) 625-6310; Fax: (692) 625-6309; E-mail: bankcomm@ntamar.net

SIGNING AUTHORITY

The Senior RMI Officer of the institution concerned, or in his absence a designated officer must sign the completed return, to certify the accuracy of the information submitted.

INSTRUCTIONS 10

LARGEST EXPOSURES

GENERAL DEFINITIONS

Instruction 10 represents the general reference source for the Monthly Largest Exposures return.

Part 1 of the return requires banks to list their 20 largest exposures to non-bank, non-government clients. This includes exposures to individuals, or groups of closely related, counterparties. Exposures should be reported in descending order of size.

Exposures include all credit facilities provided to a customer whether they are direct (e.g. through a loan, advance, overdraft, lease of equipment) or indirect (e.g. through the customer's guarantee of a third party, documentary letter of credit, or contingent item).

Exposures to individual counterparties that constitute "a group of closely related counterparties" should be reported as one exposure. Borrowers are regarded as closely related if they are:

- (i) the spouse or dependent children of a customer;
- (ii) they are companies with common ownership or cross-ownership (e.g. a parent or holding company and its subsidiaries); or
- (iii) linked by guarantees or cross guarantees; or
- (iv) a person, partnership, corporation or group of corporations under the control or influence of the same person.

Part 2 of the return requires banks to list their exposures to bank and government clients. Include placements/investment with other banks, exposures to Government entities at all levels and foreign investments.

SPECIFIC DEFINITIONS

Report in Column 3 the main **industry** of the counterparty as outlined in the form.

Report in Column 4 the **risk grading** of the counterparty e.g. Current, Sub-standard, Doubtful, and Loss.

BANKING COMMISSION
JUNE 2007