Autorité des marchés financiers

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Large Exposure Management Guideline

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Introduction

This guideline (the “Guideline”) sets out the AMF’s prudential expectations for sound and prudent large exposure risk management.[1]

The best practices described herein are consistent with the Supervisory framework for measuring and controlling large exposures[2] and related frequently asked questions document[3] published by the Basel Committee on Banking Supervision (BCBS).

The Guideline applies to all authorized deposit institutions designated by the AMF as domestic systemically important financial institutions (D-SIFI).

The Guideline applies to D-SIFIs on a consolidated basis,[4] as set out and determined in Chapter 1 of the *Capital Adequacy Guideline* (CAG).[5] The application of this guideline on a consolidated basis implies that the institution is expected to consider all exposures to third parties across the relevant regulatory consolidated group. Therefore, the D-SIFI should consider all of the group’s exposures to compare the aggregate of these exposures with the group’s eligible capital, defined as Tier 1 capital.[6]

[1] *Act respecting financial services cooperatives*, CQLR, c. C-67.3, ss. 66, 66.2, 565.1 and 566; *Deposit Institutions and Deposit Protection Act*, CQLR, c. I-13.2.2, ss. 28.21, 28.22, 42.2 and 42.3; *Trust Companies and Savings Companies Act*, CQLR, c. S-29.02, ss. 46, 47, 254 and 255

[2] BANK FOR INTERNATIONAL SETTLEMENTS, Basel Committee on Banking Supervision, Supervisory framework for measuring and controlling large exposures, April 2014

[3] BANK FOR INTERNATIONAL SETTLEMENTS, Basel Committee on Banking Supervision, Frequently asked questions on the supervisory framework for measuring and controlling large exposures, September 2016

[4] While the Guideline applies to D-SIFIs on a consolidated basis, the AMF expects all AMF-regulated subsidiaries (financial services cooperatives, trust companies and savings companies) to have policies and processes to identify, control and monitor single name concentration risk at the legal entity level.

[5] Autorité des marchés financiers (2024), *Capital Adequacy Guideline*

[6] Ibid note 5.

1 Risk management, definition of a large exposure and reporting requirements

The AMF expects the D-SIFI to put in place policies and processes to identify, assess, quantify, control, mitigate and monitor the risks of large exposures to a counterparty or a group of connected counterparties.

For purposes of the Guideline, an exposure should be considered a *large exposure* when the sum of all the exposures to a single counterparty or group of connected counterparties equals or exceeds 10% of the D-SIFI's Tier 1 capital.

D-SIFIs are expected to report, on a frequency specified by the AMF, the values of the following exposures to a counterparty or a group of connected counterparties, both before and after the application of any credit risk mitigation techniques:

a. all exposures meeting the above definition of a large exposure;

b. all other exposures that would have met the definition of a large exposure if the effect of credit risk mitigation techniques were not taken into account;

c. all exempted exposures[7] that meet the definition of a large exposure;

d. the 20 largest exposures to counterparties that are subject to the large exposure limits, irrespective of the value of these exposures relative to the D-SIFI's Tier 1 capital.

[7] See section 4 of the Guideline.

2 Limits

The AMF expects the D-SIFI to implement policies and processes for identifying breaches of prudential limits. These breaches must be addressed and the D-SIFI's board of directors and the AMF must be notified of them in a timely manner.

The D-SIFI's risk appetite framework should establish limits regarding the level of risk the D-SIFI is willing to accept with respect to large exposures to individual counterparties or groups of connected counterparties. This framework should form the basis of the D-SIFI's large exposure management policy.

The limits in this section apply to a D-SIFI's aggregate exposure value to a counterparty or group of connected counterparties.[8]

The sum of a D-SIFI's exposures to a counterparty or group of connected counterparties must not exceed either:

- 20% of the D-SIFI's Tier 1 capital when the counterparty is, or the group of connected counterparties includes, a Canadian D-SIFI[9] or a global systemically important financial institution[10] (G-SIFI); or

- 25% of the D-SIFI's Tier 1 capital.

Notwithstanding the prudential limits set out above, the AMF expects D-SIFIs to have a sound and comprehensive large exposure management policy. This policy should be revised regularly to take into account changes in the D-SIFI's risk appetite.

The D-SIFI should have adequate information systems and processes to identify large exposures. These systems and processes will help to facilitate the active management of large exposures.

The D-SIFI should also have effective control, monitoring, reporting and procedures to ensure compliance with the prudential limits, its risk appetite framework and its large exposure policy.

Notwithstanding the limits set out above, the AMF may set specific limits at its discretion on a D-SIFI's exposures to particular counterparties.

[8] The D-SIFI should consider all exposures to counterparties, except those that are exempted under section 4 of the Guideline.

[9] Canadian D-SIFIs are designated by the Office of the Superintendent of Financial Institutions.

[10] G-SIFIs are identified annually by the Financial Stability Board, in consultation with the BCBS.

3 Exemptions

> The AMF expects the D-SIFI to have adequate processes and controls in place to identify the exempted exposures and to disclose them, as required.

The following exposures are exempted from the large exposure limits:

(a) exposure amounts deducted from a D-SIFI's regulatory capital under Chapter 2 of CAG,[11] except exposure amounts that are deducted for investments in financial institutions;

(b) exposures, including direct obligations and guarantees, to the Government of Canada and the Bank of Canada;

(c) exposures qualifying as Level 1 high quality liquid assets (HQLA) under the *Liquidity Adequacy Guideline*[12];

(d) exposures, including direct obligations and guarantees, to sovereigns or their central banks that are:

  1) subject to a 0% risk weight under section 3.2 of CAG; and
  2) denominated and funded in the domestic currency of that sovereign.

(e) exposures to the following public sector entities:

  1) a Canadian public sector entity that is treated as a sovereign under section 3.2 of CAG; and

  2) a foreign public sector entity:

    - subject to a 0% risk weight under section 3.2 of CAG;
    - denominated and funded in the domestic currency of the sovereign where the public sector entity is established.

(f) exposures to qualifying multilateral development banks that are subject to a 0% risk weight under section 3.2 of CAG;

(g) exposures to any other institutions receiving a 0% risk weight under section 3.2 of CAG;

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[11] This general approach does not apply where an exposure is 1.250% risk-weighted. When this is the case, this exposure should be added to any other exposures to the same counterparty and the sum is subject to the large exposure limit, except if this exposure is specifically exempted for other reasons.

[12] Autorité des marchés financiers (2024), *Liquidity Adequacy Guideline*.

(h) underwriting positions in regulatory capital instruments and/or Other TLAC Instruments[13] issued by financial institutions held for five working days or less consistent with the regulatory adjustments for investments in those institutions set out in section 2.6 of CAG;

(i) exposures to Other TLAC Instruments issued by Canadian or global systemically important institutions held under the market-making exemption set out under section 2.6 of CAG.

(j) intra-day interbank exposures; and

(k) exposures to qualifying central counterparties (as defined in Annex 3 of CAG), that are related to clearing activities as specified in section 5.4 of the Guideline.

[13] Autorité des marchés financiers (2019), *Total Loss Absorbing Capacity Guideline*.

4 Exposure measure

The AMF expects all on-balance sheet exposures and off-balance sheet exposures in both the banking book and trading book, and instruments with counterparty risk, to be considered for the measurement of the aggregate exposure values.

An exposure amount to a counterparty that is deducted from capital should not be added to other exposures to that counterparty for the purpose of the large exposure limit.[14]

4.1 Determination of exposure values for certain asset types

Exposure values for the following asset types are determined as follows:

(a) **for banking book on-balance sheet, non-derivative assets:** the exposure value should be the current accounting value of the exposure.[15] The D-SIFI could also use gross exposure values gross of specific allowances and accounting valuation adjustments with the prior authorization of the AMF.

(b) **for banking book off-balance sheet instruments:** the exposure value is obtained by converting off-balance sheet exposures into credit equivalent amounts under the Standardized approach to credit risk, as set out in section 3.2 of CAG, subject to a minimum value of 10%.

(c) **for instruments exposed to counterparty risk in the banking book and the trading book (excluding securities financing transactions):** the corresponding exposure value will be the exposure at default according to the standardized approach for counterparty risk, as detailed in Annex 3-II of CAG.

(d) **for securities financing transactions:** the exposure value is measured using the comprehensive approach and supervisory haircuts according to section 4.3.3 of CAG.

The D-SIFI should measure its exposure to a given counterparty on both a gross and a net basis, i.e., before and after recognition of any eligible credit risk mitigation technique, as specified hereafter. Only the aggregate net exposures are subject to the large exposure limits.

For a transaction in derivatives (other than credit derivatives), the D-SIFI should, in addition to the exposure to the counterparty, also consider the exposures of the issuer of

[14] This general approach does not apply where an exposure is 1.250% risk-weighted. When this is the case, this exposure should be added to any other exposures to the same counterparty and their sum is subject to the large exposure limit, except if this exposure is specifically exempted for other reasons.

[15] Under IFRS 9, Stage 3 allowances and partial write-offs are considered to be specific allowances and accounting valuation adjustments (e.g., accounting credit valuation adjustments).

the underlying bond. This value corresponds to the loss caused by the default of the issuer of the underlying instrument.

4.2 Eligible credit risk mitigation (CRM) techniques

Eligible CRM techniques for purposes of the Guideline are those that meet the minimum requirements and eligibility criteria for the recognition of unfunded protection[16] and financial collateral that qualify as eligible financial collateral under the standardized approach, as set out in chapter 4 of CAG.

Other forms of collateral that are only eligible under the Internal-ratings based (IRB) approach, as specified in section 5.4 of CAG, are not eligible to reduce exposure values for large exposures purposes.

The D-SIFI should recognize eligible CRM techniques used to calculate its risk-based capital requirements for the same exposure, provided the CRM meets the conditions for recognition under the Guideline. The D-SIFI should have consistent approaches for recognizing CRM techniques for the purpose of the Guideline and for capital purposes.

Where a maturity mismatch in respect of eligible CRM is recognized under risk-based capital requirements, the value of the credit protection for large exposure purposes should be adjusted using the same approach as set out in section 4.1 of CAG.

Hedges with maturity mismatches should only be recognized when their original maturities are greater than or equal to 12 months and the residual maturity of a hedge is not less than three months.

Where the D-SIFI has legally enforceable netting arrangements for loans and deposits, it may calculate the exposure values for large exposure purposes according to the calculation it uses for capital requirement purposes.[17]

[16] For example, guarantees and credit derivatives.

[17] I.e., on the basis of net credit exposures, subject to the conditions set out in section 4.4 of CAG.

To derive the net exposure, the D-SIFI should reduce the value of the gross exposure to the original counterparty by the amount of the eligible CRM, which is equal to:

(a) the value of the protected portion in the case of unfunded credit protection;

(b) the value of the portion of the exposure collateralized by the market value of the recognized financial collateral for exposures in the banking book where the D-SIFI uses the simple approach for the purposes of calculating credit risk-based capital requirements;

(c) the value of the collateral as recognized in the calculation of the counterparty credit risk exposure value for instruments with counterparty credit risk, such as OTC derivatives; and

(d) the value of collateral adjusted after applying the required haircuts where the D-SIFI uses the comprehensive approach in its treatment of recognized collateral for the purposes of calculating credit risk capital requirements. The D-SIFI should not use internally modelled haircuts.

When the exposure value to a counterparty is reduced due to an eligible CRM technique, the D-SIFI should also recognize an exposure to the CRM provider equal to the amount by which the exposure value to the original counterparty was reduced.

The D-SIFI must recognize an exposure to the credit protection provider notwithstanding the fact that the original exposure is exempted under section 4 of the Guideline.

This also applies to positions hedged by credit derivatives, unless specified otherwise in the Guideline.

4.3 Covered bonds

A qualifying covered bond, satisfying the conditions set out below, may be assigned an exposure value of no less than 25% of the nominal value of the institution's covered bond holdings. The counterparty to which the exposure value is assigned is the issuing institution. For non-qualifying covered bonds, the institution should assign 100% of the nominal value of the covered bond holdings to the issuer of the covered bond.

A qualifying covered bond should meet the definition set out in section 2.2 of the *Liquidity Adequacy Guideline*[18] and should meet the following conditions at the inception of the covered bond and throughout its remaining maturity:

a. the cover pool consists of assets that are:

   - claims on, or guaranteed by, sovereigns, their central banks, public sector entities or multilateral development banks;
   - claims secured by mortgages on residential real estate that qualify for a 35% or lower risk weight under Chapter 3 of CAG and have a loan-to-value ratio of 80% or lower;
   - claims secured by commercial real estate assets that qualify for the 100% or lower risk weight under Chapter 3 of CAG, and have a loan-to-value ratio of 60% or lower;
   - substitution assets and derivatives that are considered additional collateral.

b. the nominal value of the pool of assets assigned to the covered bond instrument by its issuer exceeds its nominal outstanding value by at least 10%. The value of the pool of assets used for this purpose does not need to be that required by the legislative framework.

   However, if the legislative framework does not stipulate an over-collateralization requirement of at least 10%, the issuing institution needs to publicly disclose on a regular basis that the cover pool meets the over-collateralization requirement of 10%.

[18] Ibid note 12.

4.4 Exposures to central counterparties[19]

Exposures to a central counterparty (CCP) related to clearing activities should be measured as follows:

Trade exposures	The exposure value of trade exposures should be calculated using the standards in the Guideline
Segregated initial margin	The exposure value is zero
Non-segregated initial margin	The exposure value is the nominal amount of initial margin posted
Pre-funded default fund contributions	The exposure value is the nominal amount of the funded contribution
Unfunded default fund contributions	The exposure value is zero
Equity stakes	The exposure value is the nominal amount

Exposures that are not directly related to clearing activities provided by a CCP should be measured according to the principles set out in this section, as for any other type of counterparty. The sum of these exposures should be subject to the large exposure limits.

For exposures related to clearing services,[20] the D-SIFI should determine the counterparty to which exposures should be assigned in accordance with Annex 3-II of CAG.

The D-SIFI should measure its exposure to a non-qualifying CCP[21] as the sum of both:

- the clearing exposures described in the above chart; and
- the non-clearing exposures described above.

The aggregate exposure to a non-qualifying CCP is subject to the large exposure limits.

The concept of connected counterparties described in section 6 of the Guideline should not be considered in the context of exposures to CCPs that are specifically related to clearing activities; however, it does apply in the context of non-clearing exposures. Therefore, the D-SIFI should separately measure and report to the AMF clearing and non-clearing exposures to CCPs and, for the latter, check whether the CCP is connected with other CCPs as a result of meeting either the control or the economic interdependence criteria.

[19] The term "central counterparty" refers to the definition of "clearing house" in section 3 of the *Derivatives Act*, CQLR, c. I-14.01.

[20] Where the D-SIFI acts as a clearing member or is a client of a clearing member.

[21] Ibid note 5.

4.5 Exposure values for trading book positions

The D-SIFI should aggregate banking book and trading book exposures to determine the total exposure to an individual counterparty. The resulting exposure value is subject to the large exposure limits.

The exposure value for non-derivative debt instruments and equity instruments is the accounting value of the exposure.[22]

Only transaction legs representing exposures that are associated with counterparties need to be taken into account.

For credit derivatives that represent sold protection, the exposure to the referenced name is the amount due in the case that the referenced name triggers the instrument, minus the absolute market value of the credit protection.

For credit-linked notes, the protection seller should consider positions in respect of both the issuer of the note and the underlying reference obligation of the note.

For purposes of the Guideline, the exposure value for options should be the change in the option's market value that would result from a default of the respective underlying instrument, as shown in the following table.

Table – Exposure values for call and put options[23]

Position	Call	Put
Long	V	-S+V
Short	-V	S-V

[22] That is, the market value of the respective instruments.

[23] Where "V" is the option's market value and "S" is the strike price.

4.6 Offsetting long and short positions in the trading book

The D-SIFI may offset long and short positions in the same issue.[24]

The D-SIFI should use the resulting net position in that specific issue to calculate its exposure to a particular counterparty.

The D-SIFI should offset positions in different issues relating to the same issuer only when the short position is junior to the long position or when the positions are of the same seniority. Securities may be allocated into broad buckets of degrees of seniority (including, but not limited to, equity, subordinated debt, and senior debt) to determine their relative seniority.

The D-SIFI may opt not to allocate securities to different seniority buckets. Absent the bucketing, no offsetting of long and short positions in different issues relating to the same issuer can be recognized.

For positions hedged by credit derivatives, the D-SIFI should reduce the exposure to the original counterparty and assign a new exposure to the protection provider.

When both of the following conditions are met, the D-SIFI should assign an exposure value to the protection provider equal to the exposure at default calculated using the standard approach for counterparty credit risk:

(a) The credit protection takes the form of a credit default swap (CDS); and

(b) The CDS provider or the referenced entity is not a financial entity.

Otherwise, the exposure value assigned to the credit protection provider should be equal to the amount that was used to reduce the exposure to the original counterparty.

When the result of the offsetting is a net short position with a single counterparty, it is not necessary to apply the principles governing large exposures to the exposure.

4.7 Exposures to structured vehicles[25]

The D-SIFI should consider exposures arising from transactions such as index positions, structured vehicles, hedge funds or investment funds in both the trading book and the banking book. Exposure values should be calculated according to the requirements set out in the paragraphs below and described in the decision tree attached as an annex. Such structures include funds, securitizations and other structures with underlying assets.

The D-SIFI may assign the nominal amount it has in a structured vehicle to the structure itself, defined as a distinct counterparty, if:

[24] Two issues are defined as the same if the issuer, coupon, currency and maturity are identical.
[25] See Annex 1 – Decision tree for exposures to structured vehicles

a. the D-SIFI's exposure amount to the structure is less than 0.25% of the institution's Tier 1 Capital; or

b. the D-SIFI's exposure amount to the structure is equal to or greater than 0.25% of the institution's Tier 1 Capital and the D-SIFI can demonstrate that its exposure to each underlying asset in the structured vehicle is less than 0.25% of the institution's Tier 1 Capital.

If the exposure amount is assigned to the structure, as set out above, the D-SIFI should be able to demonstrate to the AMF that regulatory arbitrage considerations have not influenced the decision to look through or not look through.[26] For example, the D-SIFI has not circumvented the large exposure limit by investing in several individually immaterial transactions with identical assets.

If the criteria in paragraphs (a) and (b) are not met and the exposure amount cannot be assigned to the structure, the D-SIFI should look through the structured vehicle to identify the counterparty corresponding to any underlying asset for which an exposure value is equal to or greater than 0.25% of its Tier 1 capital. Consequently, the underlying exposures can be added to any other direct or indirect exposure to the same counterparty. The D-SIFI may apply a partial look-through approach and assign to the structure itself the other underlying assets for which the exposure value represents less than 0.25% of Tier 1 capital.

For a structure where all investors rank *pari passu*, the exposure value to be assigned to a given counterparty should be equal to the pro rata share of the D-SIFI's holding in the structure, multiplied by the value of the structure's underlying assets.

For a structure with different seniority levels among investors (e.g., securitization), the exposure value to an underlying asset, using the look-through approach, is measured for each tranche within the structure. This measurement implies a *pro rata* distribution of losses among investors in a single tranche. To calculate the exposure value to an underlying asset, the D-SIFI should multiply its *pro rata* share in a given tranche by the lower of:

a. the value of the tranche in which the D-SIFI invests;

b. the value of the underlying asset in the structured vehicle.

If a D-SIFI is unable to determine the identity of the counterparties corresponding to the underlying assets of a structure, it should:

- if the total exposure value of such investment in a structure is less than or equal to 0.25% of its Tier 1 capital
    - assign the total exposure amount, based on the nominal amount it invests in the structure, to the structure; or

- if the total exposure value of the investment in a structure is greater than or equal to 0.25% of its Tier 1 capital

[26] Ibid note 5.

- assign the exposure to a single counterparty; and
- aggregate all exposures to such structures into a single counterparty exposure to the “unknown client.”

All the exposures assigned to the “unknown client” should be aggregated as if they were related to the same single counterparty. Exposures to the unknown client are also subject to the large exposure limit.

D-SIFIs are generally expected to apply the look-through requirements only at one level, i.e., recognizing the exposures held directly by the structured vehicle. However, in cases where the size of the exposure to the underlying assets is material, it may be appropriate to look through further.

Where derivatives positions arise from looking through a structured vehicle, the D-SIFI may use the market value of the instruments as the exposure values.

Where exposures to structured vehicles serve as collateral, but the effort required from the D-SIFI to apply the requirements in this section of the Guideline is impractical, the transaction may be considered unsecured,[27] in which case, exposure amounts should be assigned to both the original counterparty (i.e., the counterparty who posted the collateral) and the structured vehicle itself.

[27] In other words, in such circumstances, CRM techniques are not recognized.

5 Connected counterparties

The AMF expects the D-SIFI to have robust policies and processes for assessing and identifying control relationships and economic interdependences for determining the existence of common risk.

Where two or more counterparties constitute a common risk, the counterparties should form a group of connected counterparties. A group of connected counterparties should be treated as a single counterparty.

The exposures to each of the counterparties in the group of connected counterparties should be aggregated and treated as an exposure to a single counterparty when applying large exposure limits. In this case, the sum of the D-SIFI's exposures to all the individual entities in the group of connected counterparties is subject to the large exposure limit.

The existence of common risk should be determined on a case-by-case basis, with reference to the situation and with sound judgment. The presence of either of the following conditions indicates the presence of common risk:

(a) Control relationship: if one of the counterparties has direct or indirect control over the other(s), or if two or more counterparties are directly or indirectly controlled by a common person or entity.

(b) Economic interdependence: if one of the counterparties experiences financial difficulties, particularly funding or repayment difficulties, it would likely to lead to funding or repayment difficulties for another counterparty.

The D-SIFI should first determine the existence of control relationships and then assess economic interdependence between counterparties.

In determining the existence of a control relationship,[28] the D-SIFI should, at a minimum, consider any of the following a control relationship:

(a) if a counterparty owns more than 50% of the voting rights of the other counterparty;

(b) if a counterparty has control of the majority of the voting rights of the other counterparty (e.g., pursuant to an agreement with other shareholders);

(c) if, through ownership or common management, a counterparty controls, or is controlled by, another counterparty (including but not limited to an ownership position of 50% or greater);

[28] D-SIFIs should refer to criteria specified in appropriate Canadian recognized accounting standards for further guidance when determining control.

(d) if the counterparties are ultimately subject to substantially common ownership or management, notwithstanding that the institution may not have an exposure to the owner/controlling interest;

(e) if one counterparty has significant influence on the appointment or dismissal of another counterparty's senior management committee or board of directors (e.g., the right to appoint or remove a majority of the members of the board of directors or management committee, or the fact that the majority of the members on the board of directors or management committee of a counterparty have been appointed solely as a result of another counterparty exercising its voting rights); or

(f) if one counterparty has significant influence on senior management, e.g., a counterparty has the power, pursuant to a contract or otherwise, to exercise this type of influence over the management or policies of the other counterparty (i.e., through consent rights over key decisions).

If a controlling relationship has been established, further to the preceding paragraph, the D-SIFI may still demonstrate in exceptional cases that such control does not necessarily result in the counterparties constituting a common risk.[29]

In establishing economic interdependence, the D-SIFI should consider any of the following:

(a) if 50% or more of a counterparty's annual gross receipts or gross expenditures is derived from transactions with the other counterparty;

(b) if one counterparty has fully or partly guaranteed an exposure of the other counterparty or is liable by other means, and the exposure is significant such that the guarantor is likely to default if a claim occurs;

(c) if a significant part of one counterparty's production/output is sold to another counterparty, which cannot easily be replaced by other customers;

(d) if the expected source of funds to repay loans of both counterparties is the same and neither counterparty has another independent source of income from which the loan may be serviced and fully repaid;

(e) if it is likely that the financial distress of one counterparty would affect the other counterparty's or counterparties' ability to repay fully its liabilities in a timely manner;

(f) if the insolvency or default of one counterparty is likely to be associated with the insolvency or default of the other(s); or

(g) if the counterparties rely on the same external source for the majority of their funding and, in the event of the common funds provider's default, it is expected that an alternative provider of funds could not be found. Counterparties being

[29] For example, due to the existence of specific circumstances and corporate governance safeguards.

clients of the same institution does not give rise to a requirement to form groups of counterparties if the institution providing the funds can easily be replaced.

The D-SIFI should have processes to assess the presence of economic interdependence. Approaches may vary according to the size of the exposures, type of counterparties or credit adjudication processes.

However, when the exposure to a single counterparty exceeds 5% of a D-SIFI’s Tier 1 capital, the D-SIFI is expected to perform a diligent investigation to identify possible counterparties connected by economic interdependence.

Where a D-SIFI is able to demonstrate that a counterparty, which is economically related to another entity, may be able to overcome financial difficulties by finding alternative business partners or funding sources within a reasonable time period, the D-SIFI may decide not to combine these counterparties to form a group of connected counterparties.

Where two or more counterparties are controlled by or economically dependent on another entity that is exempted as per subparagraphs (b), (d), (e), (f) and (g) of section 4 on exemptions but are otherwise not connected, the D-SIFI need not consider these entities to constitute a group of connected counterparties.

The AMF may require a D-SIFI to aggregate any of its exposures where the AMF is of the view that these exposures constitute a common risk.

The D-SIFI should make available documented rationale and authorization (including exception processing) for either aggregating or disaggregating exposures. The rationale and authorization should be subject to regular internal reviews as part of the D-SIFI’s own risk management process and the large exposure policy.

Annex 1 - Decision tree for exposures to structured vehicles