



**HUNGARIAN BANKING  
ASSOCIATION**  
Secretary General

**Committee of European Banking Supervisors**

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**CONSULTATION PAPER ON CEBS'S DRAFT IMPLEMENTATION GUIDELINES  
ON THE REVISED LARGE EXPOSURES REGIME (CP 26)**

Dear Sir/Madam,

The Hungarian Banking Association welcomes to have the opportunity to make specific comments on the consultation paper on CEBS's draft implementation guidelines on the revised large exposures regime.

As most of our remarks are reflected in the comments of the European Banking Federation we should like to raise only some issues, which are of high importance for the Hungarian credit institution. Please find our remarks on the following pages.

Yours sincerely,

Dr. Rezső Nyers

## Specific remarks

**Question 2. Are the guidelines in relation to the Exemption from the requirement to group clients in relation to control sufficiently clear or are there issues which need to be elaborated further or which are missing? Please provide concrete proposals on how the text should be amended.**

The large exposure rules of the CRD and the modifications in course are already discriminative with respect to exposures on EU central governments, where the exposures are denominated in currencies other than those of the Member States (even that exposures in MS' currencies would be exempt only till 2015). Furthermore, the exposures over three months on regional governments and local authorities where the central government is rated worse than AAA or AA, also bear an increased capital charge, even if they are denominated in local currencies.

We think that the suggested interpretation of connected clients which would extend the term also to the authorities and their enterprises where the specific authority has a controlling share, with the exception of those countries where the central government has a 0% risk weight, would increase the financial difficulties in those markets where the central government bears a higher risk weight than 0%, namely are rated worse than AAA or AA.

In our view the reasoning in point 87<sup>1</sup> in the CEBS's 2<sup>nd</sup> Advice to the Commission on large exposures is correct and it is valid in general and not only in case of those states where the central government bears a 0% risk weight given its AAA, AA rating.

Even if contrary to the arguments, the CEBS wanted to treat the authorities and their controlled enterprises as connected clients, we think it unjustified that those public sector enterprises (PSEs) should be considered as connected clients to the controlling authority, where the exposures on the PSEs do not qualify for favourable treatment under the capital adequacy regime, only if the exposures are covered by eligible credit protection.

In our opinion the specific central government or public authority and the institutions listed in Article 2 of the Directive 2006/48/EC should not be treated either as connected clients, due to the specific role of these institutions in the financial system of the Member State concerned.

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<sup>1</sup> "CEBS has identified one exemption from the requirement for grouping clients in cases where one client has control over the other, and that concerns subsidiaries where the majority of shares are owned by central governments, regional governments or local authorities. In such cases even though the owner has control over each subsidiary, the risk connected with exposure to one subsidiary is not related to the risk of exposures to other subsidiaries. A failure of one subsidiary, which is a separate legal person, does not necessarily impose a duty on the owner to invest more capital. If the owner still decides to do so, one assumes that this ultimately could be financed by raising revenues."