



Appendix CA-21

Investments in Commercial Entities

Where the investments are a mix of investments including some that are significant investments as defined under CM-5.5.1E (10% of the issued common share capital of the issuing entity which the bank has invested in).

Bank “x” with consolidated total capital of 1,000,000 after all deductions in Module CA (up to CA-2.4.24) has made investments in eight commercial entities listed below:

Investee	Amount	% of the bank’s Total capital	Significant investment		Assumed RW*
			Yes	No	
a	100,000	10%		X	100%
b	120,000	12%	X		150%
c	150,000	15%		X	150%
d	160,000	16%	X		150%
e	170,000	17%		X	150%
f	200,000	20%	X		150%
g	250,000	25%	X		150%
h	300,000	30%	X		150%
Total	1,450,000	145%			

Proportion of risk weightings:	100,000/1,450,000	=	6.9% @ 100%
	1,350,000/1,450,000	=	93.1% @ 150%

* The risk weight will vary depending on the type of exposure for each investee. In this example, we have assumed that the exposures are a mix of listed and unlisted equities.

Investments that are significant investments must follow the limits under CA-2.4.25 (individual 15% and aggregate 60% of the bank’s consolidated total capital)

Investee	Amount	% of bank’s Consolidated Total capital	Individual limit Excess of 15% over Bank’s Consolidated Total Capital
b	120,000	12%	no excess.
d	160,000	16%	10,000
f	200,000	20%	50,000
g	250,000	25%	100,000
h	300,000	30%	150,000
Total	1,030,000		310,000 excess (E)

Total amount to be risk-weighted at 800% based on the individual 15% limit in investments in commercial entities is 310,000 (E)

Aggregate of significant investments after deducting that portion of individual investments that will be risk weighted at 800%:

b	120,000	60% of Bank’s consolidated total capital =	600,000
d	150,000	Aggregate (F) =	<u>720,000</u>
f	150,000	Excess Amount for aggregate limit(G) =	120,000
g	150,000		
h	<u>150,000</u>		
Total	720,000 (F)		



In addition, the amount to be risk-weighted at 800% based on the 60% threshold on aggregate basis is 120,000 (G).

Investments that are NOT significant investments may still be subject to the large exposure rules.

Assuming that the following investments are made to unconnected parties.

Invested	Amount	% of bank's Total capital	Excess for individual exposure over the large exposure limit of of 15% Bank's consolidated total capital (CM-5.5.4)
a	100,000	10%	no excess.
c	150,000	15%	no excess
e	170,000	17%	20,000
TOTAL	420,000		20,000 (D)

All the above investments are large exposures as defined under CM-5.5.1 ($\geq 10\%$ of the banks' consolidated total capital) and subject to CM-5.5.3. and CM-5.5.4.

In summary, the total amount to be risk-weighted at 800% for the above investments in commercial entities is:

Excess limit for individual significant investments	310,000 (E)
Excess limit for aggregate significant investments	120,000 (G)
Excess limit for individual large exposures	20,000 (D)
Total amount risk-weighted at 800%	450,000

Remaining amount of investments 1,000,000 (1,450,000 – 450,000) are risk weighted under the applicable risk weighting rules on a pro rata basis.

6.9% of 1,000,000 = 69,000 will be RW at 100%
93.1% of 1,000,000 = 931,000 will be RW at 150%

Total RWA = 69,000 @100% + 931,000 @150% + 450,000 @800% = 69,000 + 1,396,500 + 3,600,000

TOTAL RWA = 5,065,500