

**Appendix 2**

In this Appendix underlining indicates new text and striking through indicates deleted text.



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# The DFSA Rulebook

Islamic Finance Rules

**(IFR)**

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## Concentration risk

### Guidance

1. This section sets specific Large Exposure limits for assets financed by PSIAs, which are Unrestricted PSIAs. The DFSA uses these limits to provide constraints on the amount of Concentration Risk to which an Authorised Firm is subject in respect of its PSIA holdings. In assessing PSIA Large Exposures, an Authorised Firm may take advantage of the exemptions and partial exemptions set out in PIB section A4.11.
2. An Authorised Firm has a Large Exposure where its PSIA holders' credit Exposure to a single Counterparty or issuer, or group of Closely Related or Connected Counterparties, is large in relation to the Authorised Firm's ~~Capital Resources~~ Tier 1 Capital. Where Exposure to a Counterparty or issuer is large, PSIA holders risk a large loss should the Counterparty default.
3. Exposures arising from assets that are financed by an Authorised Firm's own funds are dealt with in PIB section 4.15.

### Exposure limits

#### 5.4.15

An Authorised Firm Managing a PSIA, which is an Unrestricted PSIA, must not have an Exposure to a Counterparty or to a group of Closely Related Counterparties or to a group of Connected Counterparties that exceeds any one of the following percentages of its ~~Capital Resources~~ Tier 1 Capital:

- (a) 25% if financed by its ~~Capital Resources~~ Tier 1 Capital, or Unrestricted PSIAs or a non-PSIA funding source; or
- (b) 40% if financed by the total of its own ~~Capital Resources~~ Tier 1 Capital, ~~and~~ Unrestricted PSIAs and a non-PSIA funding source.

### Guidance

In accordance with PIB section 4.15, the aggregate of an Authorised Firm's Exposure to a Counterparty or to a group of Closely Related Counterparties may not exceed 25% of the Authorised Firm's ~~Capital Resources~~ Tier 1 Capital. A non-PSIA funding source includes funding from the Authorised Firm's own capital and capital markets.

#### 5.4.16

The sum of an Authorised Firm's non-exempt Large Exposures must not exceed 800% of its ~~Capital Resources~~ Tier 1 Capital for Exposures funded by the Authorised Firm's ~~Capital Resources~~ Tier 1 Capital, ~~and~~ Unrestricted PSIAs and a non-PSIA funding source.