

## Chair's Summary of Meeting of the Board of Directors

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7 October 2009

### **REVIEW OF THE ASIAN DEVELOPMENT BANK'S EXPOSURE LIMITS ON NONSOVEREIGN OPERATIONS**

1. The Board of Directors approved the *Review of the Asian Development Bank's Exposure Limits on Nonsovereign Operations*. The new exposure management policy supports the expansion of nonsovereign operations under Strategy 2020, while maintaining risks within ADB's risk-bearing capacity. Besides providing an overall limit for aggregate nonsovereign exposure, the policy defines the maximum allowable exposure to any one country, industry, obligor, investee or counterparty in ADB's nonsovereign operations. The overriding objective of the new policy is to protect ADB's AAA rating and its ability to access capital markets at the lowest sustainable cost.
2. Directors supported limiting nonsovereign operations to fixed annual amounts equal to 15% of projected aggregate operations exposure during the period until 2014. Several Directors stressed the importance of responsiveness in case fundamental assumptions should not hold, and urged staff to initiate a review if indications of such changes become apparent.
3. A majority of Directors welcomed the establishment of country limits based on three principles – credit and concentration risk in the portfolio, equitable access for borrowing members and enabling of meaningful interventions. Several Directors emphasized the need for careful monitoring of limit utilization, both for large and small borrowing member countries.
4. Many Directors expressed appreciation of the steps taken so far to strengthen ADB's risk management framework given the intended expansion of nonsovereign operations, and some highlighted the need for further capacity building.