# Understanding counterparty credits

**Counterparty credits** refers to the risk that one party involved in a financial transaction may fail to fulfill its obligations, leading to potential financial losses for the other party. It is a critical aspect of financial markets and is particularly relevant in transactions such as loans, derivatives, securities lending, and other contractual agreements. This type of credit risk emerges from the reliance on the counterparty’s ability and willingness to meet contractual obligations, such as making payments or delivering assets as agreed. Effective management of counterparty credit risk involves evaluating the financial health, creditworthiness, and default probability of counterparties to mitigate potential losses and ensure financial stability in market operations. It plays a vital role in banking, investment, and risk management strategies across industries.

## Configure counterparty credits

The following section provides step-by-step instructions for configuring and managing Counterparty credit in the application. Configuring counterparty credit involves setting up processes and systems to assess, monitor, and manage the credit risk associated with counterparties. Here you can learn: • How to navigate to the **Counterparty credit** limit screen. • How to configure credit limits and manage related settings. • Analyze credit exposure data based on deals, pricing, and index values and MTM (Mark-to-Market).

The guide simplifies the configuration process, clarifies credit metrics, and ensures effective credit risk monitoring.

### Prerequisites

* You must have the requisite *add* or *modify* permissions in the **Counterparty credit** screen.
* A counterparty must be configured prior to setting up counterparty credits.

### Process steps

#### Step 1: Navigate to the Counterparty credit screen

1. Log in to the **nGenue** application.
2. Click the **Search** icon and enter *counterparty* in the search bar.
3. Double-click **Counterparty credit** to open the respective screen. On this screen, you can configure the credit limit for the selected counterparty and view the credit exposure details, which are retrieved from the deal management configuration settings. counterparty\_credit
4. The next screen i.e., **Counterparty credit** screen is divided into two tabs: **Credit details** and **Credit exposure.**

##### Credit details

The **Credit details** tabs further consists of 3 filters to narrow down the results. This provides the flexibility to view only relevant data, making the search process faster and more efficient.

* **Value:** This filter is used to sort or refine the credit limit amounts for all pre-configured credit limits.
* **Limit:** This filter is used to sort or refine the limit type for all pre-configured credit limits.
* **Counterparty:** This dropdown allows you to choose the counterparty for whom they wish to set the credit limit. Based on the selection, the counterparty details will get displayed such as counterparty name, total limit, limit name and the amount. This data is the already configured credit Limit for the counterparty.

For any credit limit added to a counterparty, it will get reflected in the bottom section of the **Counterparty credit** screen. You can also create a new credit limit or edit/delete the ones that are not required.

**Add a new credit limit**

1. To add a new credit limit, you must first select the desired counterparty from the **Counterparty** dropdown.
2. Click on **Add new limit** icon, which will prompt the system to create a new row with the selected counterparty. You will now require to fill in the following details:
   1. Limit name: Select from the dropdown.
   2. Amount: Credit limit to be added.
   3. Start and end date: Set start and the end date.
   4. Additional note: Add additional notes if required.
3. After entering all the required details, click the **Save** button to save the credit limit configured for the counterparty.

##### Credit exposure

The **Credit exposure** tab provides a comprehensive view of a company’s total credit risk associated with its counterparties. This tab aggregates and displays detailed information about the current and potential exposure to credit risk for each counterparty or transaction.

!!! note “Note” 1. The credit exposure data will only be displayed when you click on the the **Load** button in the **Counterparty credit > Credit exposure** tab if the counterparty has a configured deal. 2. The calculations on this screen are based on the physical pricing configured for the deal, as well as the index and curved values and MTM set up.

1. Select a specific date from the **EOD** dropdown for which you want to view credit exposure details.
2. **Show unconfigured limit checkbox:** This checkbox enables users to include or exclude credit exposure data related to unconfigured limits. When selected, credit exposure details for limits that are not configured will also be displayed.
3. Click on the **Load** button to populate the table with the relevant credit exposure details.
4. The main section of the screen contains a table displaying key credit-related metrics for the selected counterparty. The columns in the table include:

| Fields | Description |
| --- | --- |
| Counterparty | Displays the name of the counterparty. |
| Total limit | Shows the total credit limit assigned to the counterparty. |
| Usage | Indicates the amount of the credit limit currently utilized. |
| % utilized | Reflects the percentage of the total limit that has been used. |
| Total exposure | Represents the total credit exposure for the counterparty. |
| Outstanding | Displays the outstanding amounts owed by the counterparty. |
| Delivered not invoiced | Represents the value of goods or services delivered but not yet invoiced. |
| MTM (Mark-to-Market) | Shows the mark-to-market valuation of open positions for the counterparty. |
| Deal number | Provides a reference number for specific deals associated with the counterparty. |
| Instrument name | Identifies the type of instrument (e.g., Physical NG) linked to the credit exposure. |

* !!! note “Note” The **Credit exposure** tab displays pre-configured data that is calculated based on the indexes, physical pricing, and deals associated with the selected counterparty.