



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Consultation Paper | CP24/15

# Implementing a UK leverage ratio framework

July 2015

Prudential Regulation Authority  
20 Moorgate  
London EC2R 6DA

Prudential Regulation Authority, registered office: 8 Lothbury, London EC2R 7HH.  
Registered in England and Wales No: 07854923



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Responses are requested by Monday 12 October 2015.

**Please address any comments or enquiries to:**

Capital and Leverage Team  
Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA

Email: [cp24\\_15@bankofengland.co.uk](mailto:cp24_15@bankofengland.co.uk)



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# 1 Overview

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1.1 On 1 July 2015, the Financial Policy Committee (FPC) directed the Prudential Regulation Authority (PRA) to implement a UK leverage ratio framework<sup>1</sup>. This Consultation Paper (CP) sets out how the PRA intends to achieve this. It is proposed that firms in scope will be required to meet a minimum leverage ratio requirement and to consider whether they hold an amount of Common Equity Tier 1 (CET1) that is greater than or equal to their countercyclical leverage ratio buffer (CCLB), and if the firm is a Global Systemically Important Institution (G-SII), their G-SII additional leverage ratio buffer (ALRB). It is proposed that firms in scope will also be subject to leverage ratio reporting and disclosure requirements. This CP is relevant to PRA-regulated banks and building societies with consolidated retail deposits equal to or greater than £50 billion.

## The FPC's Direction and Recommendation

1.2 The FPC is responsible for protecting and enhancing the resilience of the UK financial system, including identifying, monitoring, and taking action to remove, or reduce, systemic risks. The FPC is not required to achieve resilience at any cost. Its actions must not have a 'significant adverse effect on the capacity of the financial sector to contribute to the growth of the UK economy in the medium or long term'. Subject to achieving its main objective, the FPC is required to support the Government's economic policy, including its objectives for growth and employment.

1.3 The FPC has two types of powers. It can give Directions to the PRA and Financial Conduct Authority (FCA) to implement a specific measure to further the FPC's objectives. It can also make Recommendations to anybody, including the PRA and FCA.

1.4 In response to a request from the Chancellor, the FPC conducted a leverage ratio review which it finalised in October 2014<sup>2</sup>. In this review it requested from Parliament powers to direct the PRA to set UK specific leverage ratio requirements and buffers, setting out how it would calibrate and apply these powers if granted. Following the passage of the secondary legislation providing the FPC with the Direction powers it had sought, the FPC published its Direction and accompanying Recommendation on 1 July.

1.5 Using a power of Direction the FPC can require the PRA to exercise its functions to ensure the implementation of a macroprudential measure specified in its Direction. The FPC has directed the PRA to implement:

- A 3% minimum leverage ratio requirement that is to apply immediately to UK G-SIIs and major UK banks and building societies on a consolidated basis.
- A G-SII ALRB that is to apply to UK G-SIIs identified by the PRA, also on a consolidated basis. The rate of the G-SII ALRB is to be calibrated at 35% of a relevant firm's G-SII buffer rate. This buffer will be phased in from 2016, alongside the risk-weighted G-SII buffer.

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<sup>1</sup> Financial Stability Report, July 2015; [www.bankofengland.co.uk/publications/Documents/fsr/2015/fsrfull1507.pdf](http://www.bankofengland.co.uk/publications/Documents/fsr/2015/fsrfull1507.pdf).

<sup>2</sup> The Financial Policy Committee's review of the leverage ratio, October 2014; [www.bankofengland.co.uk/financialstability/Documents/fpc/fs\\_lrr.pdf](http://www.bankofengland.co.uk/financialstability/Documents/fpc/fs_lrr.pdf).

- A CCLB that is to apply immediately to UK G-SIIs and major UK banks and building societies on a consolidated basis. The rate of CCLB is to be calibrated at 35% of a relevant firm's countercyclical capital buffer (CCB) rate, and rounded to the nearest 10 basis points. It comes into force on the same timescale as the minimum leverage ratio requirement.

1.6 Under its power of Recommendation, the FPC can recommend that the PRA takes measures to mitigate risks to the UK financial system. Such a Recommendation can cover any aspect of the activities of the regulators but cannot relate to a specified individual regulated entity. Regulators to whom the Recommendation applies are required to act as soon as reasonably practicable.

1.7 The FPC has recommended to the PRA that in implementing the minimum leverage ratio requirement it should specify that Additional Tier 1 (AT1) capital should only count towards Tier 1 capital for these purposes if the relevant capital instruments specify a trigger event that occurs when the CET1 capital ratio of the institution falls below a figure of not less than 7%.<sup>1</sup>

## The PRA's response

1.8 The PRA must implement Directions given by the FPC as soon as reasonably practicable. The PRA has the flexibility to decide both the means and the timeline for implementing such a Direction and it must report to the FPC on how it is complying with the Direction. The purpose of the draft rules set out in this CP is to implement the minimum leverage ratio requirement and to secure that firms hold sufficient CET1 to satisfy the CCLB, as directed by the FPC. Requirements relating to the G-SII ALRB are not included in the draft rules as these would be set by the PRA in respect of specific firms by use of the PRA's powers under section 55M of the Financial Services and Markets Act (2000) (FSMA).

1.9 The draft rules are also intended to ensure compliance by the PRA with the FPC's Recommendation to allow only high-trigger AT1 to count towards capital resources for the purposes of the UK leverage ratio framework.

1.10 The proposed rules are included in Appendices 1, 2 and 3. Appendix 4 contains a supervisory statement setting out the PRA's expectations in relation to the application of the UK leverage ratio framework as well as further clarification on the rules on the minimum requirement, the CCLB, and how the G-SII ALRB will be set as a requirement for relevant firms. Appendix 5 contains a supervisory statement setting out the basis on which firms would be expected to report leverage ratio information required under the UK leverage ratio framework. The proposed reporting templates are included in Appendices 6 and 7.

## Structure of this CP

1.11 This paper has the following two chapters:

- Chapter 2: UK leverage ratio framework. This chapter outlines the proposed PRA implementation of the FPC's Direction and Recommendation in relation to a domestic leverage ratio framework. It includes key components of the framework, such as scope of application, minimum leverage ratio requirement and buffers, definitions and reporting and disclosure requirements.

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<sup>1</sup> Financial Stability Report, July 2015; [www.bankofengland.co.uk/publications/Documents/fsr/2015/fsrfull1507.pdf](http://www.bankofengland.co.uk/publications/Documents/fsr/2015/fsrfull1507.pdf).



- Chapter 3: Cost and benefit analysis. This chapter assesses the impact of the proposed rules, especially on reporting and disclosures.

## Links with other policy initiatives

1.12 Any interaction between the leverage ratio framework and UK requirements for the minimum requirement for own funds and eligible liabilities (MREL) under the Bank Recovery and Resolution Directive is not within scope of this consultation. MREL must be set by the Bank of England, as UK resolution authority, for individual firms, in consultation with the PRA as UK competent authority. The Bank will consult on its approach to MREL later this year.

1.13 The FPC has published a policy statement setting out its powers over leverage ratio tools.<sup>1</sup> The statement sets out the case for introducing a leverage ratio framework in the UK ahead of an internationally agreed standard, while recognising significant benefits from alignment once a global standard is finalised. The FPC intends to review progress made internationally in 2017, including whether the European Commission submits to the European Council and the European Parliament a legislative proposal to introduce a binding leverage ratio requirement in the European Union, and to consider the implications for the UK framework. Rules and requirements proposed in this CP may be subject to change as a result of the FPC's 2017 review. In particular it is likely that the scope of application of this framework will be expanded by the FPC at that juncture.

## Statutory obligations

1.14 In discharging its general functions of making rules and determining the general policy and principles by reference to which it performs particular functions, the PRA must, so far as reasonably possible, act in a way that advances its general objective to promote the safety and soundness of PRA-authorized persons (the general objective), and facilitates effective competition in the markets for services provided by PRA-authorized persons (the secondary objective). It must also have regard to the regulatory principles, including proportionality. The PRA considers that the proposed rules are compatible with its general objective and the regulatory principles because they will address the risk of excessive leverage for the group of firms that are the most systemically important in terms of size and services provided to the UK economy, whose individual failure could have an adverse effect on the stability of the UK financial system.

1.15 In addition, when consulting on draft rules, the PRA is required to consider the obligations set out below.

## Impact on mutuals

1.16 In the October 2014 leverage ratio review, the FPC acknowledged the additional challenges that mutuals might face in meeting in a timely fashion an increase in the countercyclical leverage buffer. The review noted that mutuals are potentially more constrained in their ability to raise capital via external issuance than other firms, and so are less able to adjust to a significant increase in capital requirements over a short period of time if this has not been anticipated. As a result, the FPC expressed its willingness, in circumstances

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<sup>1</sup> The Financial Policy Committee's power over leverage ratio tools, July 2015; [www.bankofengland.co.uk/financialstability/Documents/fpc/policystatement010715ltr.pdf](http://www.bankofengland.co.uk/financialstability/Documents/fpc/policystatement010715ltr.pdf).

when it judges the benefits to exceed the cost, to make recommendations to the PRA to allow mutuals up to 24 months to comply with an increase in the CCLB.

1.17 The PRA has a statutory requirement to state whether the impact of proposed rules on mutuals will be significantly different from the impact on other firms. Other than the potential timing impact on mutuals identified by the FPC in relation to the CCLB, the PRA has not identified any other impact on mutuals that would have a significantly disproportionate impact on these firms.

## **Impact on competition**

1.18 When discharging its general functions in a way that advances its primary objectives, the PRA has, as a secondary objective, a duty insofar as reasonably possible; to facilitate effective competition in the markets for services provided by PRA-authorized persons in carrying on regulated activities.

1.19 The leverage ratio is more likely to bind on firms that predominantly have exposure to those asset classes which tend to attract risk weights lower than 35%. For the firm types most likely to be affected by the proposed leverage ratio framework, the incentive to increase their reliance on equity funding would, all else remaining equal, imply a decrease in their return on equity. Banks and investment firms which have a high proportion of investment banking activities, such as trading in intra-financial sector products (i.e. securities, repo and derivatives market activity) are more likely to have low risk weights. In addition, banks and building societies that have PRA permission to use internal models to determine risk-weighted capital requirements for their mortgage books typically have average risk weights on these exposures below 35%.

1.20 As firms in scope of the proposals made in this CP are compliant or close to compliance with the proposals made in this CP, the PRA does not expect much impact on competition from the proposed requirements going forward.

## **Equality and Diversity**

1.21 The PRA may not act in an unlawfully discriminatory manner. It is required under the Equality Act 2010 to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions. As part of this, the PRA assesses the equality and diversity implications of any new policy proposals considered. In general, the PRA finds that the issues addressed in this CP do not give rise to equality and diversity implications.

## **Responses and next steps**

1.22 The FPC has directed the PRA to implement the Direction as soon as reasonably practicable. It is up to the PRA to decide its implementation timeline, by taking into account certain practicalities in its policy-making process. The PRA proposes that the leverage ratio framework set out in this CP should come into force on 1 January 2016.

1.23 This consultation closes on Monday 12 October 2015. Views are welcome on all aspects of the PRA's proposals to implement the FPC's Direction and Recommendation on leverage ratio tools. In particular, respondents are encouraged to provide comments on the reporting and disclosure requirements proposed, as these were not discussed in the FPC's consultation on its leverage ratio framework in 2014. Responses that provide a detailed quantitative

assessment of firms' incremental compliance costs as a result of complying with the averaging requirements would be particularly welcome. Respondents' feedback is important in helping the PRA to shape the framework. Please address any comments or enquiries to [cp24\\_15@bankofengland.co.uk](mailto:cp24_15@bankofengland.co.uk).

1.24 The PRA plans to publish a policy statement with feedback, finalised rules and supervisory statements by the end of 2015.

1.25 The PRA proposes that, when the rules enter into force, they will replace the existing expectation in relation to the leverage ratio, as set out in the Supervisory Statement 3/13.<sup>1</sup> The PRA is in the process of reviewing and updating existing supervisory statements to ensure their consistency with proposed rules.

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<sup>1</sup> *PRA Supervisory Statement SS3/13*, 'Capital and leverage ratios for major UK banks and building societies', June 2014; [www.bankofengland.co.uk/pradocuments/publications/ss/2013/ss313.pdf](http://www.bankofengland.co.uk/pradocuments/publications/ss/2013/ss313.pdf).

## 2 UK Leverage Ratio Framework

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### Scope of application

2.1 The FPC has directed the PRA to implement a Direction on the leverage ratio, in relation to major UK banks and building societies on a consolidated basis. Subject to an FPC review in 2017, the scope of the leverage framework is expected to be broadened to include all PRA-regulated banks, building societies and designated investment firms. The FPC has also indicated that in due course it expects to apply an additional leverage ratio buffer on any domestically systemically important banks, building societies and PRA-regulated investment firms that are subject to a systemic risk buffer in the risk-weighted framework.

2.2 The FPC's Direction does not specify precisely which firms are to be included in the group of major UK banks and building societies. The PRA proposes that firms covered by the rules should include all PRA-regulated banks and building societies with total retail deposits equal to or greater than £50 billion, whether on an individual or a consolidated basis, on a firm's financial year end date.

2.3 The PRA considers that the proposed £50 billion retail deposit threshold will identify a group of firms whose size and provision of critical financial services to the UK economy means that their failure could pose material threats to domestic financial stability. This would be consistent with the PRA's objective of promoting the safety and soundness of firms primarily by seeking to ensure that their business is carried on in a way which avoids any adverse effect on the stability of the UK financial system.

### Implementing leverage ratio requirements and buffers

2.4 The FPC has directed the PRA to establish a leverage ratio framework that consists of a minimum leverage requirement and two buffers. The FPC expects the PRA to take timely and appropriate action to ensure that firms are in compliance with the minimum requirement and that they have a credible capital plan if they do not hold capital of an amount and quality greater than the buffers. The FPC would expect the PRA to decide on the most appropriate supervisory response in the event that a requirement is breached or an adequate amount and quality of capital is not held as a buffer.

#### **3% minimum leverage ratio requirement**

2.5 The FPC has directed the PRA to require firms to satisfy a 3% minimum leverage ratio requirement to complement, in as simple a form as possible, the structure which already exists in the risk-weighted capital regime. A non-risk sensitive leverage requirement would enhance the effectiveness of capital regulation and guard against failing to capture risks adequately.

2.6 The PRA is of the view that, in order to maintain a strong complementarity with the risk-based capital framework, a breach of the minimum leverage ratio requirement should have the same possible range of consequences as a breach of a minimum risk-based capital requirement.

#### **Leverage ratio buffers**

2.7 The FPC has directed the PRA to secure that firms hold sufficient CET1 capital to meet two leverage ratio buffers, which are the G-SII ALRB and CCLB. The FPC considers that these

macroprudential buffers will ensure that additional capital is available in parts of the system where, and at points in the cycle when, systemic risks are elevated.

2.8 The PRA expects leverage ratio buffers to be available to absorb losses whilst a firm remains a going concern and outside resolution. Similar to the approach proposed to implement the risk-weighted PRA buffer<sup>1</sup>, entering into the leverage ratio buffers would not lead to automatic capital distribution restrictions.

2.9 It is proposed that firms be required to calculate the amount of CET1 required for applicable leverage ratio buffers and that firms be required to notify the PRA if they do not, or are likely not to, have capital equal to or greater than the buffers at all times. Firms would be required to provide a capital plan setting out how and over what timeframe they intend to restore their CET1 to the level indicated by their buffer calculations. If a firm failed to comply with the notification requirement and/or failed to provide a credible capital plan, further supervisory actions would be considered.

2.10 It is proposed that the CCLB and related reporting and disclosure requirements would be set out in PRA rules. Requirements relating to the G-SII ALRB would not be set out in PRA rules. The PRA proposes that the requirement to calculate the G-SII ALRB, and related reporting and disclosure requirements, would be set by the PRA in respect of specific firms by use of the PRA's powers under section 55M of FSMA. Relevant firms would be invited to apply for the requirements that relate to the G-SII ALRB later this year. If the firm invited to apply for the requirements did not do so, the PRA would consider using its powers under section 55M (5) of FSMA to impose the requirements on its own initiative.

### **Length of time to comply with an increase of the CCLB**

2.11 The PRA expects the increase in the CCLB rate to follow the transitional periods set for any increase in the relevant CCB rate, which will generally become effective twelve months after an announcement. This approach would ensure consistency and complementarity between the CCB and CCLB.

2.12 The FPC noted in its July 2015 Policy Statement that when increasing the CCLB, it will consider whether it needs to recommend to the PRA that a longer compliance period is required. This would either apply to all firms in scope, or to a subset of firms who might have particular difficulty in raising capital levels rapidly (mutuals were mentioned as one possible type of firm who might fall into this category). In this case, the PRA will re-consider the appropriate compliance period.

## **Definitions**

2.13 In order to implement the FPC's Direction and Recommendation, the PRA proposes to adopt the following definitions of the capital measure (numerator) and exposure measure (denominator) of the leverage ratio.

### **Definition of Tier 1 capital instruments**

2.14 The PRA proposes to use the Capital Requirements Regulation (CRR) 'end-point' definition of Tier 1 capital to calculate the numerator of the leverage ratio, with the exception of state aid capital instruments where the applicable CRR transitional provisions should continue to apply. Use of the end-point definition ensures stability of the capital measure over

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<sup>1</sup> PRA Consultation Paper CP1/15, 'Assessing capital adequacy under Pillar 2', January 2015; [www.bankofengland.co.uk/pradocuments/publications/cp/2015/pillar2/cp115.pdf](http://www.bankofengland.co.uk/pradocuments/publications/cp/2015/pillar2/cp115.pdf).

time, while allowing transitional provisions for state aid capital instruments provides consistency with the definition used in the supervisory expectation on leverage that the PRA has had in place for the firms it proposes to capture in this framework.

### **Use of CET 1 capital instruments**

2.15 The FPC has directed the PRA to require at least 75% of the minimum leverage ratio requirement be met by CET1 capital and to secure that 100% of leverage ratio buffers be met by CET1 capital. This approach is intended to enhance coherence between the risk-weighted capital and leverage ratio requirements, by reflecting the restrictions on CET1 capital applied in the risk-weighted framework. The PRA proposes to directly apply this approach in establishing a leverage ratio framework.

### **Eligible AT1 capital instruments**

2.16 Alongside its Direction, the FPC has recommended that the PRA only allow an AT1 capital instrument to be eligible for the leverage ratio minimum requirement if it has a CET1 trigger ratio of at least 7% on an end-point definition. This is intended to ensure that only instruments that will reliably absorb losses while a firm is a going concern can count towards the leverage ratio. The PRA proposes to adopt this approach in the rules on the minimum leverage ratio. The PRA considers that all existing externally issued AT1 capital instruments by firms within scope of the proposed framework meet this eligibility requirement.

### **Exposure Measure**

2.17 In line with the FPC's Direction, the PRA intends to directly adopt the leverage ratio exposure definition from the CRR, as recently modified by a Commission Delegated Act<sup>1</sup>, for the purpose of calculating the minimum leverage ratio requirement and the buffers. The Delegated Act was published in January 2015, in response to the 2014 revision of the Basel III text on the leverage ratio.<sup>2</sup>

2.18 The consistent use of the CRR definition of the exposure measure would enhance comparability of leverage ratios across jurisdictions and prevent UK firms from having to calculate multiple versions of the denominator of the leverage ratio. It means that the definition of the exposure measure used in the proposed reporting templates for the UK leverage ratio framework would be closely aligned with the definition used in the Common Reporting (COREP) templates.

2.19 The PRA will review any future changes made to the definition of the leverage ratio exposure measure by the Basel Committee and in future European Union banking regulations and consider corresponding modifications to the definition applied in the United Kingdom.

## **Reporting and Disclosures**

2.20 The PRA proposes the following reporting and disclosure requirements to accompany the minimum requirement and buffers. These are intended to enable supervisors to assess compliance with the leverage ratio framework, and also to provide information to investors and the wider market on the leverage ratio positions of firms in scope.

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1 Commission delegated regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio, January 2015; <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0062&from=EN>

2 Basel III leverage ratio framework and disclosure requirements, January 2014; [www.bis.org/publ/bcbs270.pdf](http://www.bis.org/publ/bcbs270.pdf).

## Overall reporting requirements

2.21 As the FPC has directed the PRA to implement specific requirements with respect to the quality of Tier 1 capital instruments, the PRA expects that for the same reporting period, firms' leverage ratios calculated under the UK leverage ratio framework may differ from leverage ratios calculated under the CRR. It is therefore necessary for the PRA to collect additional quarter-end leverage data through supervisory reporting for the purpose of monitoring firms' compliance with the UK leverage ratio framework. The PRA is mindful of firms' reporting burdens under COREP and other regulatory initiatives, and as a guiding principle, the PRA intends to keep the data collection to a minimum.

## Averaging requirements

2.22 The Basel III text sets out a minimum requirement of publicly disclosing end-quarter leverage ratios. Subject to supervisory approval it allows for more frequent calculations (e.g. daily or monthly averaging), as long as this is done consistently over time.

2.23 Under CRR leverage ratio reporting, firms are required to report quarterly leverage ratio information, which includes an arithmetic mean of the end-month leverage ratios calculated over a quarter. Going forward, it is expected that, in order to align with existing solvency reporting, monthly averaged leverage ratio reporting will cease to be applied and firms will only be required to report a point-in-time end-quarter leverage ratio. In addition, the CRR requires disclosures to be made on a quarter-end basis.

2.24 By contrast, the Supplementary Leverage Ratio adopted in the United States to implement the Basel III standard text requires reporting and disclosure of leverage ratios based on the daily average of on-balance sheet assets and the monthly average of off-balance sheet exposures.

2.25 The PRA is of the view that reporting and disclosing a point-in-time leverage ratio alone could create incentives for firms to manage down temporarily around the reporting date, their exposure measure so as to flatter their leverage ratio, a practice commonly referred to as 'window dressing'. As a non-risk sensitive measure, the leverage ratio is designed in such a way that it generally assigns equal weights to firms' exposures and therefore is prone to the risk of period-end balance sheet management that improves firms' leverage ratio positions temporarily.

2.26 To enable the UK leverage ratio framework to be fully effective in promoting safety and soundness, it will be important to reduce incentives to engage in window dressing, to ensure that firms are meeting their leverage ratio requirements over time and to avoid instability in financial markets caused by transactions associated with window dressing. Therefore the PRA considers it to be desirable to introduce a rule to require firms in scope to report, alongside an end-period leverage ratio, an averaged leverage ratio. Requiring an averaged figure for a firm's leverage ratio across the reporting period should largely eliminate incentives to adjust this ratio on any specific date, as any increase achieved is likely to have little impact on the averaged figure. In addition, to complement the reporting of the end-period and averaged leverage ratios, firms would be required to report quarter low and quarter high leverage ratios, which would provide insights into the variability of firms' leverage positions during the reporting quarter.

2.27 The PRA is mindful that requiring reporting of daily average figures has the potential to be burdensome for firms. Therefore it proposes to apply daily averaging only to on-balance sheet exposures, which include those exposures most amenable to rapid reduction via short-

term balance sheet management trades, while allowing end-month average figures to be used for off-balance sheet exposures and the numerator of the ratio.

2.28 The PRA considers best estimates as acceptable for the computation of the daily averaged components of the leverage ratio provided that they are measured consistently and prudently.

### **Templates and data collection**

2.29 The PRA proposes to make rules requiring firms to submit data to the PRA under this framework. The purpose of the rules is to enable the PRA to monitor firms' compliance with the PRA's proposed UK leverage ratio framework. Draft rules on leverage ratio reporting can be found in Appendix 2.

2.30 The PRA has developed templates with instructions for firms to report the leverage ratio data required under the framework proposed. If a firm is in scope, it would be required to use the templates provided. Draft reporting templates can be found in Appendix 6 and 7. A draft supervisory statement on reporting instructions can be found in Appendix 5.

2.31 The data collection method is likely to be via XML with data being transmitted in a secure manner. Further details will be communicated with firms before the finalisation of the rules, supervisory statements and the templates.

2.32 The PRA proposes that a firm that is invited to apply for a requirement under section 55M of FSMA to calculate the G-SII ALRB would also be invited to apply for a requirement to report data on the G-SII ALRB to the PRA.

### **Disclosure requirements**

2.33 The FPC considers that it is essential for the leverage ratio framework requirement to be transparent to market participants through public disclosures and expressed the view in its policy statement that it would consider using its power of recommendation to ensure that firms subject to the leverage ratio framework make the appropriate disclosures.

2.34 The PRA proposes to make rules requiring firms to disclose data in relation to the leverage ratio framework. The purpose of the rules is to ensure that the leverage ratio framework requirements are transparent for market participants.

2.35 Given the existence of a CRR disclosure requirement prescribing detailed breakdowns of leverage ratio components, the PRA does not consider it necessary to propose additional disclosure templates for the UK leverage ratio calculated as set out above. The PRA proposes that firms be required to disclose at least the following: (i) an end-quarter leverage ratio; (ii) an averaged over the quarter leverage ratio; (iii) an averaged over the quarter total exposure measure; and (iv) the firm-specific CCLB. Firms would be required to disclose additional information to enable users to understand the reason for any differences between the UK and CRR leverage ratios and any changes influencing firms' averaged leverage ratio over the quarter.

2.36 The PRA proposes that a firm that is invited to apply for a requirement under section 55M of FSMA to calculate the G-SII ALRB would also be invited to apply for a requirement to disclose data on the G-SII ALRB.



**Transitional arrangements**

2.37 In order to allow firms sufficient time to build up their operational capabilities to compute and report the daily averaged components of their leverage ratios, the PRA proposes a transitional period of twelve months from 1 January 2016. During the transitional period, firms would be required to calculate their quarterly averaged leverage ratio on end-month numbers, so that the denominator would be the mean of leverage ratio exposures calculated as of the last day of the month over the quarter and the numerator would be calculated on the same basis. The averaged ratio is calculated as the averaged capital measure over the three months divided by the averaged exposure measure over the three months. Firms would be required to use the transitional reporting template to report their numbers and to disclose on the same basis for the transitional period.

## 3 Cost benefit analysis

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### Background

3.1 In its review of the leverage ratio, the FPC undertook a cost benefit analysis to assess the proposed UK leverage ratio framework.<sup>1</sup> It was recognised that the leverage ratio framework would provide robustness against uncertainties in the existing capital framework, which would in turn enhance the resilience of the financial system and provide stability for economic growth. The FPC estimated the costs imposed on individual firms, especially those with lower average risk-weights, for which the leverage ratio is more likely to bind, and concluded that the incremental impact would be modest and would not have a detrimental impact on aggregate credit creation for any sector of banks or segment of the lending market. Therefore, it concluded that there would be an overall net benefit from introducing a UK leverage ratio framework, ahead of the international implementation timeline.

3.2 As the FPC's Direction did not specify details involved in operationalising the leverage ratio framework, such as reporting and disclosure requirements, the PRA has undertaken an analysis of the incremental impact of these aspects of the proposals, which apply to all PRA-regulated banks and building societies with total retail deposits equal to or greater than £50 billion on a consolidated basis. The analysis is limited to costs incremental to the compliance costs borne by firms to report and disclose existing leverage related information.

### Baseline for reporting and disclosure

3.3 The analysis below assumes that the current CRR leverage ratio reporting framework forms a baseline, taking into account amendments made in the revised final draft of the reporting Implementing Technical Standards (ITS) submitted to the European Commission on 15 June 2015.<sup>2</sup>

### Benefits

3.4 The PRA considers that the proposed requirement to report and disclose an averaged leverage ratio, in addition to an end-period leverage ratio, would reduce the risk of providing any incentives for short-term balance sheet management and improve the representativeness of the leverage ratio calculated, which would contribute to a stronger and more effective leverage ratio regime in the United Kingdom. There would also be at least two potential associated benefits. First, from reducing operational risks arising from a large number of transactions involved in short-term balance sheet management trades and second, from reducing volatility in short-term interbank markets around reporting period end dates, which may be associated with any firm(s) engaging in such trades and may detract from the safety and soundness of firms.

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<sup>1</sup> The Financial Policy Committee's review of the leverage ratio, October 2014; [www.bankofengland.co.uk/financialstability/Documents/fpc/fs\\_lrr.pdf](http://www.bankofengland.co.uk/financialstability/Documents/fpc/fs_lrr.pdf).

<sup>2</sup> EBA/ITS/2015/03, 'EBA final draft implementing technical standards amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Leverage Ratio (LR) following the EC's Delegated Act on the LR', June 2015; [www.eba.europa.eu/documents/10180/1113844/EBA-ITS-2015-03+Final+Draft+ITS+amending+ITS+on+LR+Reporting.pdf/dd6cd991-2620-4c58-886a-de4dcf75b20d](http://www.eba.europa.eu/documents/10180/1113844/EBA-ITS-2015-03+Final+Draft+ITS+amending+ITS+on+LR+Reporting.pdf/dd6cd991-2620-4c58-886a-de4dcf75b20d).

## Costs to firms in scope

3.5 The PRA considers both one-off and ongoing costs for IT systems, staff, management time and other relevant costs. The PRA estimates that the incremental costs to support quarterly reporting of an averaged, quarter high and quarter low leverage ratio to not be material and expects those costs to be driven largely by the increased frequency of estimating balance sheet positions.

3.6 The PRA expects that firms already have the capacity to value their trading book assets on a daily basis at a sufficiently granular level to complete the data elements in the proposed template that relate to the trading book. Therefore, the incremental costs associated with estimating daily balance of trading book assets are expected to be minimal.

3.7 In contrast to trading assets, banking book assets are generally less frequently revalued and tested for impairments. As a result, some firms may find it less straightforward to calculate the daily value of these assets. However, as stated in Appendix 4, it is not the PRA's intention to require firms to calculate precisely the daily figure. The PRA is of the view that best estimates are acceptable, provided that appropriate reporting governance and procedures are in place. Therefore, the PRA judges the incremental costs involved to not be material.

3.8 Going forward, it is expected that, in order to align with existing solvency reporting, monthly averaged leverage ratio reporting under the CRR will cease to be applied and firms will only be required to report a point-in-time end-quarter leverage ratio. This will reduce the frequency of reporting in the baseline relative to the policy proposals analysed here. However, the PRA expects firms to be able to maintain their existing monthly averaging reporting capabilities at small incremental cost.

3.9 The incremental cost associated with firms' compliance with the proposed disclosure requirements would not be material as a subset of the same numbers required for reporting will be disclosed.

## Costs to the PRA

3.10 A new data collection process and management solution will need to be established to support the monitoring of firms' compliance with the UK leverage ratio framework. Although the exact IT infrastructure needs have yet to be specified, the PRA expects the process to be reasonably straightforward and the associated costs to not be material.

## Appendices

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**1 Draft rules on UK minimum leverage ratio and buffers**

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**2 Draft rules on UK leverage ratio reporting**

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**3 Draft rules on UK leverage ratio disclosures**

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**4 Draft supervisory statement on UK leverage ratio framework**

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**5 Draft supervisory statement on guidelines for completing regulatory reports**

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**6 Draft FSA083 leverage ratio template**

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**7 Draft FSA084 leverage ratio – transitional template**

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**PRA RULEBOOK: CRR FIRMS: LEVERAGE RATIO INSTRUMENT [2015]**

**Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
  - (1) section 137G (The PRA’s general rules); and
  - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

**Pre-conditions to making**

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Leverage Ratio Instrument [2015]**

- D. The PRA makes the rules in the Annex to this instrument.

**Commencement**

- E. This instrument comes into force on [DATE].

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Leverage Ratio Instrument [2015].

**By order of the Board of the Prudential Regulation Authority**  
[DATE]

## Annex

In this Annex, the text is all new and is not underlined.

Part

# LEVERAGE RATIO

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Chapter content

1. APPLICATION AND DEFINITIONS
2. MINIMUM LEVERAGE RATIO
3. COUNTERCYCLICAL LEVERAGE RATIO BUFFER
4. NOTIFICATION
5. CAPITAL PLAN

Links

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to every *firm* that is a *UK bank* or a *building society* that, on the *firm's* last *accounting reference date*, had *retail deposits* equal to or greater than £50 billion either on:

- (1) an individual basis; or
- (2) if the *firm* is either:
  - (a) an *EEA parent institution*; or
  - (b) controlled by an *EEA parent financial holding company* or by an *EEA parent mixed financial holding company* and to which supervision on a *consolidated basis* by the *PRA* applies in accordance with Article 111 *CRD*,

on the *consolidated basis* of the:

- (c) *EEA parent institution*, *EEA parent financial holding company* or *EEA parent mixed financial holding company* of the *consolidation group*; and
- (d) each *consolidation group* entity that has its registered office (of it has no registered office, its head office) in an *EEA State*; and
- (e) each *branch* of any other *consolidation group* entity that is established or operating in an *EEA State*.

1.2 A *firm* that is not a member of a *consolidation group* must comply with this Part on an individual basis.

1.3 A *firm* which is an *EEA parent institution* must comply with this Part on the basis of its *consolidated situation*.

1.4 A *firm* which is controlled by an *EEA parent financial holding company* or an *EEA parent mixed financial holding company* must comply with this Part on the basis of the *consolidated situation* of that holding company, if the *PRA* is responsible for supervision of the *firm* on a *consolidated basis* under Article 111 of the *CRD*.

1.5 In this Part, the following definitions shall apply:

*countercyclical capital buffer rate*

means the *countercyclical buffer rate*, as defined in Capital Buffers 1.2.

*countercyclical leverage ratio buffer*

means the amount of *common equity tier 1 capital* a *firm* must calculate in accordance with 3.1 and 3.2.

*deposit*

has the meaning given in 30, Part 1, Annex V (Reporting on financial information) for the purposes of the European Banking Authority's Implementing Technical Standards amending the Commission's Implementing Regulation (EU) No 680/2014 on supervisory reporting under Regulation (EU) No 575/2013 of the European Parliament and of the Council.

*FPC*

means the Financial Policy Committee of the Bank of England.

*leverage ratio*

means a *firm's tier 1 capital* divided by its *total exposure measure*, with this ratio expressed as a percentage.

*retail deposit*

means *deposits* from "households" as defined in 35(f), Part 1, Annex V (Reporting on financial information) for the purposes of the European Banking Authority's Implementing Technical Standards amending the Commission's Implementing Regulation (EU) No 680/2014 on supervisory reporting under Regulation (EU) No 575/2013 of the European Parliament and of the Council.

*tier 1 capital*

has the meaning given by Article 25 of the CRR except that:

- (1) an *additional tier 1 capital* capital instrument can only be counted as *tier 1 capital* if it either:
  - (a) converts into *common equity tier 1*; or
  - (b) writes down,
 

when the *common equity tier 1 capital ratio* of the *firm* falls below a level equal to either:

    - (a) 7%; or
    - (b) a level higher than 7%,

as specified in the provisions governing the instrument; and
- (2) instruments that qualify for grandfathering under Article 483 CRR can be counted as *tier 1 capital*.

*total exposure measure*

has the meaning given by Article 429(4) of the CRR, as amended by the Commission Delegated Regulation (EU) 2015/62.



- 1.6 Unless otherwise defined, any italicised expression used in this Part and in the *CRR* has the same meaning as in the *CRR*.

## **2 MINIMUM LEVERAGE RATIO**

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- 2.1 A *firm* must hold sufficient *tier 1 capital* to maintain, at all times, a minimum *leverage ratio* of 3%.
- 2.2 For the purposes of complying with 2.1, at least 75% of the *firm's tier 1 capital* must consist of *common equity tier 1 capital*.

## **3 COUNTERCYCLICAL LEVERAGE RATIO BUFFER**

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- 3.1 A *firm* must calculate a *countercyclical leverage ratio buffer* of *common equity tier 1 capital* equal to:
- (1) the *firm's countercyclical capital buffer rate* multiplied by 35% with the product expressed as a percentage rounded to the nearest tenth of a percentage; multiplied by
  - (2) the *firm's total exposure measure*.
- 3.2 A *firm* must not count *common equity tier 1 capital* that is maintained for the purposes of 2.1 towards the calculation in 3.1.

## **4 NOTIFICATION**

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- 4.1 A *firm* must notify the *PRA* immediately if, at any time, it does not hold, or is likely not to hold, an amount and quality of capital that is:
- (1) necessary to comply with 2.1; and
  - (2) equal to or greater than its *countercyclical leverage ratio buffer*.

## **5 CAPITAL PLAN**

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- 5.1 When a *firm* is required to make a notification to the *PRA* under rule 4.1(2), it must prepare a capital plan and submit it to the *PRA* no later than 5 working days after the *firm* identified that the notification was necessary.
- 5.2 The capital plan must include the following:
- (1) measures to secure that the amount of the *firm's common equity tier 1 capital* is equal to or greater than the *firm's countercyclical leverage ratio buffer*; and
  - (2) a plan and timeframe for the measures outlined for the purposes of rule 5.2(1).

## Part

**LEVERAGE RATIO**

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Externally defined glossary terms

<b>Term</b>	<b>Definition source</b>
<i>additional tier 1 capital</i>	Article 61 <i>CRR</i>
<i>common equity tier 1 capital</i>	Article 50 <i>CRR</i>
<i>common equity tier 1 capital ratio</i>	Article 92(2)(a) <i>CRR</i>
<i>consolidated basis</i>	Article 4(1)(48) <i>CRR</i>
<i>consolidated situation</i>	Article 4(1)(47) <i>CRR</i>
<i>EEA State</i>	s425 <i>FSMA</i>

**PRA RULEBOOK: CRR FIRMS: REPORTING LEVERAGE RATIO INSTRUMENT [2015]**

**Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
  - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

**Pre-conditions to making**

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Reporting Leverage Ratio Instrument [2015]**

- D. The PRA makes the rules in the Annex to this instrument.

**Commencement**

- E. This instrument comes into force on [DATE].

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Reporting Leverage Ratio Instrument [2015].

**By order of the Board of the Prudential Regulation Authority**  
[DATE]

## Annex A

In this Annex, the text is all new and is not underlined.

Part

# REPORTING LEVERAGE RATIO

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Chapter content

1. APPLICATION AND DEFINITIONS
2. REPORTING
3. TRANSITIONAL
4. SUBMISSION

Links

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to every *firm* that is a *UK bank* or a *building society* that, on the *firm's* last *accounting reference date*, had *retail deposits* equal to or greater than £50 billion either on:

- (1) an individual basis; or
- (2) if the *firm* is either:
  - (a) an *EEA parent institution*; or
  - (b) controlled by an *EEA parent financial holding company* or by an *EEA parent mixed financial holding company* and to which supervision on a *consolidated basis* by the *PRA* applies in accordance with Article 111 *CRD*,

on the *consolidated basis* of the:

- (c) *EEA parent institution*, *EEA parent financial holding company* or *EEA parent mixed financial holding company* of the *consolidation group*; and
- (d) each *consolidation group* entity that has its registered office (of it has no registered office, its head office) in an *EEA State*; and
- (e) each *branch* of any other *consolidation group* entity that is established or operating in an *EEA State*.

1.2 A *firm* that is not a member of a *consolidation group* must comply with this Part on an individual basis.

1.3 A *firm* which is an *EEA parent institution* must comply with this Part on the basis of its *consolidated situation*.

1.4 A *firm* which is controlled by an *EEA parent financial holding company* or an *EEA parent mixed financial holding company* must comply with this Part on the basis of the *consolidated situation* of that holding company, if the *PRA* is responsible for supervision of the *firm* on a *consolidated basis* under Article 111 of the *CRD*.

1.5 In this Part, the following definitions shall apply:

*average leverage ratio*

means the average *leverage ratio* calculated in accordance with 2.2 or 3.2, as applicable.

*data element*

means a discrete fact or individual piece of information relating to a particular field within a *data item*.

*data item*

means one or more related *data elements* that are grouped together into a prescribed format and required to be submitted by a *firm*.

*leverage ratio*

has the meaning given in Leverage Ratio 1.5.

*quarterly reference date*

means 31 March, 30 June, 30 September and 31 December.

*remittance date*

means 12 May, 11 August, 11 November or 11 February.

*tier 1 capital*

has the meaning given in Leverage Ratio 1.5.

*total exposure measure*

has the meaning given in Leverage Ratio 1.5.

- 1.6 Unless otherwise defined, any italicised expression used in this Part and in the *CRR* has the same meaning as in the *CRR*.

## **2 REPORTING**

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- 2.1 Subject to 3.1, a *firm* must complete the *data item* FSA083 using the template for the *data item* set out [here](#).
- 2.2 When completing the *data item* in 2.1, the average *leverage ratio* for a quarter must be calculated by a *firm* as its capital measure divided by its exposure measure where the:
- (1) capital measure is the arithmetic mean of the *firm's tier 1 capital* on the last day of each month in the quarter ending on the relevant *quarterly reference date*; and
  - (2) exposure measure is the sum of:
    - (a) the arithmetic mean of the *firm's total exposure measure* in relation to on-balance sheet assets on each day in the quarter ending on the relevant *quarterly reference date*; and
    - (b) the arithmetic mean of the *firm's total exposure measure* excluding on-balance sheet assets on the last day of each month in the quarter ending on the relevant *quarterly reference date*.

### 3 TRANSITIONAL

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- 3.1 For 12 months from the date that this Part comes into force a *firm* must, instead of completing the *data item* referred to in 2.1, complete the *data item* FSA084 using the template for the *data item* set out [here](#).
- 3.2 When completing the *data item* in 3.1, the *average leverage ratio* for a quarter must be calculated by a *firm* as its capital measure divided by its exposure measure where the:
- (1) capital measure is the arithmetic mean of the *firm's tier 1 capital* on the last day of each month in the quarter ending on the relevant *quarterly reference date*; and
  - (2) exposure measure is the arithmetic mean of the *firm's total exposure measure* on the last day of each month in the quarter ending on the relevant *quarterly reference date*.

### 4 SUBMISSION

---

- 4.1 A *firm* must submit the completed *data items* referred to in this Part to the *PRA* by close of business of the *remittance date* immediately following the relevant quarter.
- 4.2 If the *remittance date* is a public holiday or a Saturday or Sunday, the *data item* must be submitted on the following working day.
- 4.3 *Data items* must be submitted to the *PRA* by electronic means.

## Part

**REPORTING LEVERAGE RATIO**

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Externally defined glossary terms

<b>Term</b>	<b>Definition source</b>
<i>consolidated basis</i>	Article 4(1)(48) CRR
<i>consolidated situation</i>	Article 4(1)(47) CRR
<i>EEA State</i>	s425 FSMA



**PRA RULEBOOK: CRR FIRMS: PUBLIC DISCLOSURE (LEVERAGE RATIO AMENDMENT) INSTRUMENT [2015]**

**Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
  - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

**Pre-conditions to making**

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Public Disclosure (Leverage Ratio Amendment) Instrument [2015]**

- D. The PRA makes the rules in the Annex to this instrument.

**Commencement**

- E. This instrument comes into force on [DATE].

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Public Disclosure (Leverage Ratio Amendment) Instrument [2015].

**By order of the Board of the Prudential Regulation Authority**  
[DATE]

## Annex A

In this Annex new text is underlined.

Part

# **PUBLIC DISCLOSURE**

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Chapter content

...

### **3. PUBLIC DISCLOSURE OF LEVERAGE RATIO**

Links

## 1 APPLICATION AND DEFINITIONS

---

1.1 This Part applies to every *firm* that is a *CRR firm*.

1.2 In this Part the following definitions shall apply:

...

*average exposure measure*

means the average exposure measure calculated in accordance with 3.6(1) or 3.7(1), as applicable.

*average leverage ratio*

means the average *leverage ratio* calculated in accordance with 3.6(2) or 3.7(2), as applicable.

*countercyclical leverage ratio buffer*

has the meaning given in Leverage Ratio 1.5.

*CRR leverage ratio*

means the leverage ratio disclosed by the *firm* in accordance with Article 451 *CRR*.

*leverage ratio*

has the meaning given in Leverage Ratio 1.5.

*tier 1 capital*

has the meaning given in Leverage Ratio 1.5.

*total exposure measure*

has the meaning given in Leverage Ratio 1.5.

1.3 Unless otherwise defined, any italicised expression used in this Part and in the *CRR* has the same meaning as in the *CRR*.

...

## 3 PUBLIC DISCLOSURE OF LEVERAGE RATIO

---

3.1 This Chapter applies to every *firm* that is a *UK bank* or a *building society* that, on the *firm's* last *accounting reference date*, had *retail deposits* equal to or greater than £50 billion either on:

(1) an individual basis; or

(2) if the *firm* is either:

(a) an *EEA parent institution*; or

(b) \_\_\_\_\_ controlled by an *EEA parent financial holding company* or by an *EEA parent mixed financial holding company* and to which supervision on a consolidated basis by the *PRA* applies in accordance with Article 111 *CRD*,

on the consolidated basis of the:

(c) \_\_\_\_\_ *EEA parent institution, EEA parent financial holding company* or *EEA parent mixed financial holding company* of the consolidation group;

(d) \_\_\_\_\_ each consolidation group entity that has its registered office (of it has no registered office, its head office) in an *EE State*; and

(e) \_\_\_\_\_ each branch of any other consolidation group entity that is established or operating in an *EEA State*.

#### Application on an individual or consolidated basis

##### 3.2 A firm that is:

(1) \_\_\_\_\_ not a member of a consolidation group must comply with this Chapter on an individual basis;

(2) \_\_\_\_\_ an *EEA parent institution* must comply with this Chapter on the basis of its consolidated situation;

(3) \_\_\_\_\_ controlled by an *EEA parent financial holding company* or an *EEA parent mixed financial holding company* must comply with this Chapter on the basis of the consolidated situation of that holding company, if the *PRA* is responsible for supervision of the firm on a consolidated basis under Article 111 of the *CRD*.

#### Disclosure requirements

##### 3.3 A firm must disclose each of the following quarterly as at the relevant quarterly end date:

(1) \_\_\_\_\_ leverage ratio;

(2) \_\_\_\_\_ average exposure measure;

(3) \_\_\_\_\_ average leverage ratio ; and

(4) \_\_\_\_\_ countercyclical leverage ratio buffer.

##### 3.4 A firm must disclose quarterly such information as is necessary to enable users to understand changes in the firm's total exposure measure and tier 1 capital over the quarter that have affected the firm's average leverage ratio.

##### 3.5 Subject to 3.6, a firm must disclose the items specified in 3.3 and 3.4 in the medium or location that the firm considers appropriate.

##### 3.6 When a firm discloses its *CRR leverage ratio*, the firm must disclose:

(1) the items specified in 3.3 and 3.4 as at the same reference date as the firm's CRR leverage ratio disclosure; and

(2) the reasons for any differences between the firm's leverage ratio and the firm's CRR leverage ratio as at that reference date,

in the same media or location as the firm discloses its CRR leverage ratio.

### 3.7 Subject to 3.8:

(1) for the purposes of 3.3(2) a firm must calculate its average exposure measure for a quarter as the sum of

(a) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets on each day in the quarter; and

(b) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets on the last day of each month in the quarter; and

(2) for the purposes of 3.3(3) and 3.4 a firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the:

(a) capital measure is the arithmetic mean of the firm's tier 1 capital on the last day of each month in the quarter; and

(b) exposure measure is the sum of:

(i) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets on each day in the quarter; and

(ii) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets on the last day of each month in the quarter.

### Transitional

#### 3.8 For 12 months from the date that this Chapter comes into force, a firm must:

(1) for the purposes of 3.3(2), calculate its average exposure measure for a quarter as the arithmetic mean of the firm's total exposure measure on the last day of each month in the quarter; and

(2) for the purposes of 3.3(3) and 3.4, calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the:

(a) capital measure is the arithmetic mean of the firm's tier 1 capital on the last day of each month in the quarter; and

(b) exposure measure is the arithmetic mean of the firm's total exposure measure on the last day of each month in the quarter.

**Part****PUBLIC DISCLOSURE**

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Externally defined glossary terms

<b><u>Term</u></b>	<b><u>Definition source</u></b>
<i><u>consolidated basis</u></i>	<i><u>Article 4(1)(48) CRR</u></i>
<i><u>consolidated situation</u></i>	<i><u>Article 4(1)(47) CRR</u></i>
<i><u>EEA State</u></i>	<i><u>s425 FSMA</u></i>

# Supervisory Statement | SSXX/XX

## The UK leverage ratio framework



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



Prudential Regulation Authority  
20 Moorgate  
London EC2R 6DA

Prudential Regulation Authority, registered office: 8 Lothbury, London EC2R 7HH.  
Registered in England and Wales No: 07854923





BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Supervisory Statement | SSXX/XX

# The UK leverage ratio framework



## 1 Introduction

1.1 This supervisory statement (SS) is aimed at CRR firms to whom the proposed UK leverage ratio framework applies. The purpose of this SS is to set out the expectations of the Prudential Regulatory Authority (PRA) on leverage ratio buffers and the reporting and disclosure of an averaged leverage ratio, as well as to provide some clarification of the PRA rules. It should be read alongside the Leverage Ratio, Reporting Leverage Ratio and Public Disclosure Parts of the PRA Rulebook. This statement complements the PRA's proposed rules in implementing the Direction and Recommendation of the FPC's leverage ratio framework.

## 2 Leverage Ratio Buffers

2.1 Firms that do not hold an amount of CET1 equal to or greater than their applicable leverage ratio buffers will not face automatic restrictions on their distributions.

2.2 Where a firm does not hold an amount of CET1 capital that is equal to or greater than its countercyclical leverage ratio buffer (CCLB), it must notify the PRA immediately in accordance with Leverage Ratio 4.1 and prepare a capital plan and submit it to the PRA, including the information required in Leverage Ratio 5.2.

2.3 The G-SII additional leverage ratio buffer (ALRB) is firm specific. Where applicable to a firm, the G-SII ALRB and related reporting and disclosure requirements will be set by the PRA using its powers under section 55M of the Financial Services and Markets Act (2000). If a G-SII does not hold an amount of CET1 capital that is equal to or greater than its G-SII ALRB, it will be required to notify the PRA immediately and prepare a capital plan and submit it to the PRA.

2.4 The PRA will assess a firm's capital plan and approve it only if the PRA considers that the plan, if implemented, would be reasonably likely to secure that the amount of the firm's CET1 will be equal to or greater than the firm's leverage ratio buffers within a period which the PRA considers appropriate.

2.5 In determining the appropriate period for a firm to satisfy its CCLB, the PRA will have regard to the period of time the firm had to meet the increase in its CCB rate. The PRA expects any increase in the CCLB rate to follow the transitional periods set for the increase in the relevant CCB rate, which will generally become effective twelve months after an announcement. This approach would ensure consistency and complementarity between the CCB and CCLB.

2.6 A decrease in a firm's CCLB can take effect immediately.

## 3 Expectations for firms applying averaging requirement

3.1 The PRA expects firms not to window dress their leverage ratio at any point in time.

3.2 For the purpose of calculating an averaged leverage ratio over a reporting quarter, the PRA requires firms to calculate the exposures measure based on firms' daily on-balance sheet assets averaged over the quarter and monthly (at the last day of the month) off-balance sheet exposures averaged over the quarter, in accordance with Reporting Leverage Ratio 2.2. The capital measure and relevant deductions and adjustments should be calculated with the same frequency as the off-balance sheet exposures. The quarter high and low leverage ratios should be calculated on the same basis, recognising the highest and lowest point driven by the daily movements of balance sheet assets.

3.3 During the transitional period, the PRA permits firms to calculate the exposures measure based on monthly (at the last day of the month) exposure measures averaged over a quarter, for both on-and off-balance sheet exposures, in accordance with Reporting Leverage Ratio 3.2. The capital measure and relevant deductions and adjustments should be calculated in the same way.

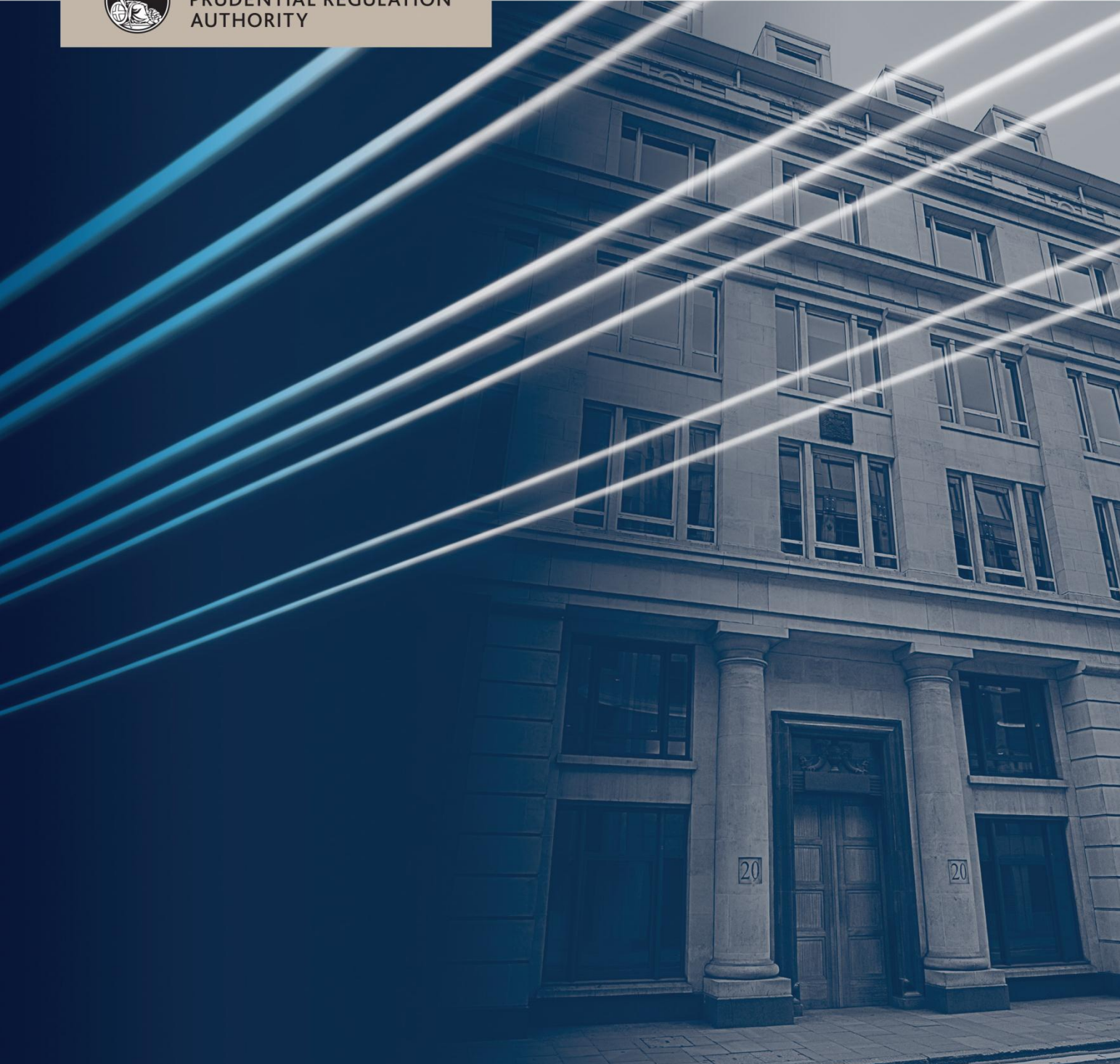
3.4 The PRA recognises that there might be difficulties in valuing certain accounting assets at the end of each day and therefore, intends to adopt a pragmatic approach to the implementation of the averaging requirement. The PRA considers best estimates acceptable so long as they are measured consistently and prudently. For the purpose of daily valuation of balance sheet assets, firms should apply methodologies and valuation basis that are consistent with those used for quarter end reporting. The PRA expects firms to have appropriate governance and procedures to ensure the accuracy and representativeness of the averaged leverage ratio and its components which are reported and disclosed.

# Supervisory Statement | SSXX/XX

## Guidelines for completing regulatory reports – leverage ratio



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



Prudential Regulation Authority  
20 Moorgate  
London EC2R 6DA

Prudential Regulation Authority, registered office: 8 Lothbury, London EC2R 7HH.  
Registered in England and Wales No: 07854923



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Supervisory Statement | SSXX/XX

# Guidelines for completing regulatory reports – leverage ratio





## **1 Introduction**

1.1 This supervisory statement is addressed to those CRR firms regulated by the Prudential Regulation Authority (PRA) who are required to submit supervisory reports under the Reporting leverage ratio Part of the PRA Rulebook. Its purpose is to set out the PRA's expectations for how firms should complete the data items required under Chapter 2 and Chapter 3 of the Part. This will ensure a consistent reporting framework to enable the PRA to use the information collected efficiently and effectively. It allows the PRA to meet its objectives for promoting the safety and soundness for firms, as it enables the PRA to monitor firms' compliance with the requirement to maintain adequate financial resources and with other requirements and standards under the regulatory system.

## **2 Completing data items**

2.1 The guidance on completing data items is set out in appendices to this supervisory statement.

2.2 Italicised text in the accompanying appendices has the same meaning given in the glossary in the Leverage Ratio and Reporting Leverage Ratio Part of the Rulebook, or in the PRA rulebook glossary.

## Appendices

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**1 FSA 083 Leverage ratio**

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**2 FSA 084 Leverage ratio - transitional**

## FSA 083 Leverage ratio

Firms should complete this *data item* from 1 January 2017, with the first reporting reference date as at 31 March 2017.

### General Information

The General Information table should be populated with key reporting information. It is essential that each field is completed. Information provided in item 8, reporting currency, and item 9, reporting unit, should be consistent with those used for Common Reporting (COREP) purposes.

This template consists of two sections:

- **Leverage Ratio Calculation**  
This section is based on COREP Leverage Ratio Calculation (LRCalc) template with additional UK specific columns (UK c010, UK c020 and UK c030) introduced to report *average leverage ratio*, quarter low and quarter high leverage ratios.

- **Supplementary Data**  
This section is designed to capture data that are relevant to the UK leverage ratio framework. Firms should refer to LRCalc and its instructions for rows and columns with the prefix of 'EU'. Rows and columns created or modified to capture UK specific leverage ratio data are prefixed with 'UK'.

### Data elements

Only the open, or "white" cells, are to be completed. Grey-shaded cells are not required. The *data elements* are referred to by row (r) or column (c).

### Columns

- **UK c010: Daily / monthly average over the reporting quarter**  
Firms to report daily or monthly *average leverage ratio* data according to the methodology specified in the UK leverage ratio framework.
- **EU c010: End-month 3 (CRR reporting reference date)**  
Firms to report end-quarter *leverage ratio* data according to LRCalc template and instructions.
- **UK c020: Quarter low**  
Firms to report the lowest daily *leverage ratio* over the reporting quarter.
- **UK c030: Quarter high**  
Firms to report the highest daily *leverage ratio* over the reporting quarter.

## Rows - Leverage Ratio Calculation

- **UK r290: Total Leverage Ratio exposure**  
Firms to report *total exposure measure*.
- **UK r310: Tier 1 capital**  
Firms to report total *tier 1 capital*.
- **UK r330: Leverage Ratio**  
Firms to report the *leverage ratio*, expressed as a percentage of *tier 1 capital* divided by *total exposure measure*.

## Rows - Supplementary Data

- **UK r010: CET1 capital**  
Firms to report total *common equity tier 1 capital* that can be counted as *tier 1 capital*.
- **UK r020: G-SII additional leverage ratio buffer rate (%)**  
Firms that are subject to a requirement to do so to report the buffer rate expressed as a percentage of firms' G-SII additional leverage ratio buffer (G-SII ALRB) to *total exposure measure*.
- **UK r030: Countercyclical leverage ratio buffer rate (%)**  
Firms to report the buffer rate expressed as a percentage of firms' *countercyclical leverage ratio buffer* to *total exposure measure*.
- **UK r040: Surplus / (shortfall) CET1 to 2.25% minimum CET1 requirement**  
Firms to report surplus or shortfall of *common equity tier 1 capital* to meet the 2.25% minimum *common equity tier 1 capital* requirement. The 2.25% is calculated as 75% of the 3% minimum *leverage ratio* requirement.
- **UK r050: Surplus / (Shortfall) Tier 1 to 3% minimum Tier 1 requirement**  
Firms to report surplus or shortfall of *tier 1 capital* to meet the 3% minimum *leverage ratio* requirement.
- **UK r060 Surplus / (Shortfall) CET1 to 2.25% minimum CET1 plus buffers**  
Firms to report surplus or shortfall of *common equity tier 1 capital* to meet the 2.25% minimum *common equity tier 1 capital* requirement plus G-SII ALRB (if the firm is subject to a requirement to calculate its G-SII ALRB) and *countercyclical leverage ratio buffer* as applicable. The 2.25% is calculated as 75% of the 3% minimum *leverage ratio* requirement.

## Validations

Internal validation is performed automatically for the following cells:

Validation number	Row	Column		Descriptions
1	UK r330	UK c010	=	UK r310 UK c010 / UK r290 UK c010
2	UK r330	EU c010	=	UK r310 EU c010 / UK r290 EU c010
3	UK r330	UK c020	=	UK r310 UK c020 / UK r290 UK c020
4	UK r330	UK c030	=	UK r310 UK c030 / UK r290 UK c030
5	UK r040	UK c010	=	UK r010 UK c010 – UK r290 UK c010 x 2.25%
6	UK r040	EU c010	=	UK r010 EU c010 – UK r290 EU c010 x 2.25%
7	UK r050	UK c010	=	UK r310 UK c010 – UK r290 UK c010 x 3%
8	UK r050	EU c010	=	UK r310 EU c010 – UK r290 EU c010 x 3%
9	UK r060	UK c010	=	UK r010 UK c010 – UK r290 UK c010 x (2.25% + UK r020 EU c010 + UK r030 EU c010)
10	UK r060	EU c010	=	UK r010 EU c010 – UK r290 EU c010 x (2.25% + UK r020 EU c010 + UK r030 EU c010)

## FSA 084 Leverage ratio - transitional

Firms should complete this *data item* from 1 January 2016, with the first reporting reference date on 31 March 2016.

### General Information

The General Information table should be populated with the key reporting information. It is essential that each field is completed. Information provided in item 8, reporting currency, and item 9, reporting unit, should be consistent with those used for Common reporting (COREP) purposes.

This template consists of two sections.

- **Leverage Ratio Calculation**  
This section is based on COREP Leverage Ratio Calculation (LRCalc) template and includes additional UK specific columns (UK c010, UK c020 and UK c030) introduced to report end-month and monthly averaged data.
- **Supplementary Data**  
This section is designed to capture data that are relevant to the UK leverage ratio framework.

Firms should refer to LRCalc and its instructions for rows and columns with the prefix of 'EU'. Rows and columns created or modified to capture UK leverage ratio data are prefixed with 'UK'.

### Data elements

Only the open, or "white" cells, are to be completed. Grey-shaded cells are not required. The *data elements* are referred to by row (r) or column (c).

### Columns

- **UK c010: End- month 1**  
Firms to report the relevant *leverage ratio* as at the last day of the first month of the quarter.
- **UK c020: End-month 2**  
Firms to report the relevant *leverage ratio* as at the last day of the second month of the quarter.
- **UK c030: Monthly average over the reporting quarter**  
Firms to report the monthly average *leverage ratio* over the reporting quarter, calculated as monthly average *tier 1 capital* divided by monthly average *total exposure measure*.

## Rows - Leverage Ratio Calculation

- **UK r290: Total Leverage Ratio exposure**  
Firms to report *total exposure measure*.
- **UK r310: Tier 1 capital**  
Firms to report total *tier 1 capital*.
- **UK r330: Leverage Ratio**  
Firms to report the *leverage ratio*, expressed as a percentage of *tier 1 capital* divided by *total exposure measure*.

## Rows - Supplementary Data

- **UK r010: CET1 capital**  
Firms to report total *common equity tier 1 capital* that can be counted as *tier 1 capital*.
- **UK r020: G-SII additional leverage ratio buffer rate (%)**  
Firms that are subject to a requirement to do so to report the buffer rate expressed as a percentage of firms' G-SII additional leverage ratio buffer (G-SII ALRB) to *total exposure measure*.
- **UK r030: Countercyclical leverage ratio buffer rate (%)**  
Firms to report the buffer rate expressed as a percentage of firms' *countercyclical leverage ratio buffer* to *total exposure measure*.
- **UK r040: Surplus / (shortfall) CET1 to 2.25% minimum CET1 requirement**  
Firms to report surplus or shortfall of *common equity tier 1 capital* to meet the 2.25% minimum *common equity tier 1 capital* requirement. The 2.25% is calculated as 75% of the 3% minimum *leverage ratio* requirement.
- **UK r050: Surplus / (Shortfall) Tier 1 to 3% minimum Tier 1 requirement**  
Firms to report surplus or shortfall of *tier 1 capital* to meet the 3% minimum *leverage ratio* requirement.
- **UK r060 Surplus / (Shortfall) CET1 to 2.25% minimum CET1 plus buffers**  
Firms to report surplus or shortfall of *common equity tier 1 capital* to meet the 2.25% minimum *common equity tier 1 capital* requirement plus G-SII ALRB (if the firm is subject to a requirement to calculate its G-SII ALRB) and *countercyclical leverage ratio buffer* as applicable. The 2.25% is calculated as 75% of the 3% minimum *leverage ratio* requirement.

## Validations

Internal validation is performed automatically.

Validation number	Data item (Row)	Data item (Column)		Descriptions
1	UK r290	UK c030	=	$(UK\ r290\ UK\ c010 + UK\ r290\ UK\ c020 + UK\ r290\ EU\ c010)/3$
2	UK r310	UK c030	=	$(UK\ r310\ UK\ c010 + UK\ r310\ UK\ c020 + UK\ r310\ EU\ c010)/3$
3	UK r330	UK c010	=	$UK\ r310\ UK\ c010 / UK\ r290\ UK\ c010$
4	UK r330	UK c020	=	$UK\ r310\ UK\ c020 / UK\ r290\ UK\ c020$
5	UK r330	EU c010	=	$UK\ r310\ EU\ c010 / UK\ r290\ EU\ c010$
6	UK r330	UK c030	=	$UK\ r310\ UK\ c030 / UK\ r290\ UK\ c030$
7	UK r040	UK c010	=	$UK\ r010\ UK\ c010 - UK\ r290\ UK\ c010 \times 2.25\%$
8	UK r040	UK c020	=	$UK\ r010\ UK\ c020 - UK\ r290\ UK\ c020 \times 2.25\%$
9	UK r040	EU c010	=	$UK\ r010\ EU\ c010 - UK\ r290\ EU\ c010 \times 2.25\%$
10	UK r050	UK c010	=	$UK\ r310\ UK\ c010 - UK\ r290\ UK\ c010 \times 3\%$
11	UK r050	UK c020	=	$UK\ r310\ UK\ c020 - UK\ r290\ UK\ c020 \times 3\%$
12	UK r050	EU c010	=	$UK\ r310\ EU\ c010 - UK\ r290\ EU\ c010 \times 3\%$
13	UK r060	UK c010	=	$UK\ r010\ UK\ c010 - UK\ r290\ UK\ c010 \times (2.25\% + UK\ r020\ UK\ c010 + UK\ r030\ UK\ c010)$
14	UK r060	UK c020	=	$UK\ r010\ UK\ c020 - UK\ r290\ UK\ c020 \times (2.25\% + UK\ r020\ UK\ c020 + UK\ r030\ UK\ c020)$
15	UK r060	EU c010	=	$UK\ r010\ EU\ c010 - UK\ r290\ EU\ c010 \times (2.25\% + UK\ r020\ EU\ c010 + UK\ r030\ EU\ c010)$





**Draft FSA 083 Leverage Ratio template**

**General Information**

1	Name of the template	FSA 083 Leverage Ratio
2	PRA template version control	v1
3	Basis of reporting	Consolidated
4	Submission number <i>(increase by 1 if resubmission)</i>	
5	Firm reference number <i>(FRN)</i>	
6	Name of the firm	
7	Reporting period (quarter and year)	
8	Reporting currency	
9	Reporting unit	

**Leverage Ratio Calculation**

		Column			
		Daily / Monthly Average over the reporting quarter	End-Month 3 (CRR Reporting reference date)	Quarter Low	Quarter high
Row	Exposure Values	UK c010	EU c010	UK c020	UK c030
EU r010	SFTs: Exposure in accordance with Article 429 (5) and 429 (8) of the CRR				
EU r020	SFTs: Add-on for counterparty credit risk				
EU r030	Derogation for SFTs: Add-on in accordance with Article 429b (4) and 222 of the CRR				
EU r040	Counterparty credit risk of SFT agent transactions in accordance with Article 429b (6) of the CRR				
EU r050	(-) Exempted CCP leg of client-cleared SFT exposures				
EU r060	Derivatives: Current replacement cost				
EU r070	(-) Eligible cash variation margin received offset against derivatives market value				
EU r080	(-) Exempted CCP leg of client-cleared trade exposures (replacement costs)				
EU r090	Derivatives: Add-on under the mark-to-market method				
EU r100	(-) Exempted CCP leg of client-cleared trade exposures (potential future exposure)				
EU r110	Derogation for derivatives: original exposure method				
EU r120	(-) Exempted CCP leg of client-cleared trade exposures (original exposure method)				
EU r130	Capped notional amount of written credit derivatives				
EU r140	(-) Eligible purchased credit derivatives offset against written credit derivatives				
EU r150	Off-balance sheet items with a 10% CCF in accordance with Article 429 (10) of the CRR				
EU r160	Off-balance sheet items with a 20% CCF in accordance with Article 429 (10) of the CRR				
EU r170	Off-balance sheet items with a 50% CCF in accordance with Article 429 (10) of the CRR				
EU r180	Off-balance sheet items with a 100% CCF in accordance with Article 429 (10) of the CRR				
EU r190	Other assets				
EU r200	Gross up for derivatives collateral provided				
EU r210	(-) Receivables for cash variation margin provided in derivatives transactions				



EU r220	(-) Exempted CCP leg of client-cleared trade exposures (initial margin)				
EU r230	Adjustments for SFT sales accounting transactions				
EU r240	(-) Fiduciary assets				
EU r250	(-) Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of the CRR				
EU r260	(-) Exposures exempted in accordance with Article 429(14) of the CRR				
EU r270	(-) Asset amount deducted - Tier 1 capital - fully phased-in definition				
EU r280	(-) Asset amount deducted - Tier 1 capital - transitional definition				
<b>UK r290</b>	Total Leverage Ratio exposure				
EU r300	Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital				
<b>Row</b>	<b>Capital</b>				
<b>UK r310</b>	Tier 1 capital				
EU r320	Tier 1 capital - transitional definition				
<b>Row</b>	<b>Leverage Ratio</b>				
<b>UK r330</b>	Leverage Ratio				
EU r340	Leverage Ratio - using a transitional definition of Tier 1				

**Supplementary Data**

<b>UK r010</b>	CET1 capital				
<b>Leverage Ratio Buffers</b>					
<b>UK r020</b>	G-SII additional leverage ratio buffer rate (%)				
<b>UK r030</b>	Countercyclical leverage ratio buffer rate (%)				
<b>Capital Surplus / (Shortfall)</b>					
<b>UK r040</b>	Surplus (shortfall) CET1 to 2.25% minimum CET1 requirement				
<b>UK r050</b>	Surplus (Shortfall) Tier 1 to 3% minimum Tier 1 requirement				
<b>UK r060</b>	Surplus (Shortfall) CET1 to 2.25% minimum CET1 plus buffers				



**Draft FSA 084 Leverage Ratio - Transitional template**

**General Information**

1	Name of the template	FSA 084 Leverage Ratio - Transitional
2	PRA template version control	v1
3	Basis of reporting	Consolidated
4	Submission number <i>(increase by 1 if resubmission)</i>	
5	Firm reference number <i>(FRN)</i>	
6	Name of the firm	
7	Reporting period (quarter and year)	
8	Reporting currency	
9	Reporting unit	

**Leverage Ratio Calculation**

		Reporting Quarter			
		End-month 1	End-month 2	End-Month 3 (CRR Reporting reference date)	Monthly Average over the reporting quarter
Row	Exposure Values	UK c010	UK c020	EU c010	UK c030
EU r010	SFTs: Exposure in accordance with Article 429 (5) and 429 (8) of the CRR				
EU r020	SFTs: Add-on for counterparty credit risk				
EU r030	Derogation for SFTs: Add-on in accordance with Article 429b (4) and 222 of the CRR				
EU r040	Counterparty credit risk of SFT agent transactions in accordance with Article 429b (6) of the CRR				
EU r050	(-) Exempted CCP leg of client-cleared SFT exposures				
EU r060	Derivatives: Current replacement cost				
EU r070	(-) Eligible cash variation margin received offset against derivatives market value				
EU r080	(-) Exempted CCP leg of client-cleared trade exposures (replacement costs)				
EU r090	Derivatives: Add-on under the mark-to-market method				
EU r100	(-) Exempted CCP leg of client-cleared trade exposures (potential future exposure)				
EU r110	Derogation for derivatives: original exposure method				
EU r120	(-) Exempted CCP leg of client-cleared trade exposures (original exposure method)				
EU r130	Capped notional amount of written credit derivatives				
EU r140	(-) Eligible purchased credit derivatives offset against written credit derivatives				
EU r150	Off-balance sheet items with a 10% CCF in accordance with Article 429 (10) of the CRR				
EU r160	Off-balance sheet items with a 20% CCF in accordance with Article 429 (10) of the CRR				
EU r170	Off-balance sheet items with a 50% CCF in accordance with Article 429 (10) of the CRR				
EU r180	Off-balance sheet items with a 100% CCF in accordance with Article 429 (10) of the CRR				
EU r190	Other assets				
EU r200	Gross up for derivatives collateral provided				



EU r210	(-) Receivables for cash variation margin provided in derivatives transactions				
EU r220	(-) Exempted CCP leg of client-cleared trade exposures (initial margin)				
EU r230	Adjustments for SFT sales accounting transactions				
EU r240	(-) Fiduciary assets				
EU r250	(-) Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of the CRR				
EU r260	(-) Exposures exempted in accordance with Article 429(14) of the CRR				
EU r270	(-) Asset amount deducted - Tier 1 capital - fully phased-in definition				
EU r280	(-) Asset amount deducted - Tier 1 capital - transitional definition				
<b>UK r290</b>	Total Leverage Ratio exposure				
EU r300	Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital				
<b>Row</b>	<b>Capital</b>				
<b>UK r310</b>	Tier 1 capital				
EU r320	Tier 1 capital - transitional definition				
<b>Row</b>	<b>Leverage Ratio</b>				
<b>UK r330</b>	Leverage Ratio				
EU r340	Leverage Ratio - using a transitional definition of Tier 1				

#### Supplementary Data

<b>UK r010</b>	CET1 capital				
<b>Leverage Ratio Buffers</b>					
<b>UK r020</b>	G-SII additional leverage ratio buffer rate (%)				
<b>UK r030</b>	Countercyclical leverage ratio buffer rate (%)				
<b>Capital Surplus / (Shortfall)</b>					
<b>UK r040</b>	Surplus (shortfall) CET1 to 2.25% minimum CET1 requirement				
<b>UK r050</b>	Surplus (Shortfall) Tier 1 to 3% minimum Tier 1 requirement				
<b>UK r060</b>	Surplus (Shortfall) CET1 to 2.25% minimum CET1 plus buffers				