

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 1 January 2016.

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

26 November 2015

Annex A

In this Annex new text is underlined.

Part

PUBLIC DISCLOSURE

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 3.7(1) or 3.8(1), as applicable.

average leverage ratio

means the average *leverage ratio* calculated in accordance with 3.7(2) or 3.8(2), as applicable.

countercyclical leverage ratio buffer

has the meaning given in Leverage Ratio 1.2.

CRR leverage ratio

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

leverage ratio

has the meaning given in Leverage Ratio 1.2.

retail deposit

has the meaning given in Leverage Ratio 1.2.

tier 1 capital

has the meaning given in Leverage Ratio 1.2.

total exposure measure

has the meaning given in Leverage Ratio 1.2.

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;

- (2) if the firm is a parent institution in a Member State, on the basis of its consolidated situation; or
- (3) if the firm is controlled by a parent financial holding company in a Member State or by a parent mixed financial holding company in a Member State and the PRA is responsible for supervision of that holding company on a consolidated basis under Article 111 of the CRD, on the basis of the consolidated situation of that holding company.

Application on an individual or consolidated basis

3.2 A firm that is:

- (1) not a member of a consolidation group in relation to which (2) or (3) applies must comply with this Chapter on an individual basis;
- (2) a parent institution in a Member State must comply with this Chapter on the basis of its consolidated situation;
- (3) controlled by a parent financial holding company in a Member State or a parent mixed financial holding company in a Member State for which the PRA is responsible for supervision on a consolidated basis under Article 111 of the CRD must comply with this Chapter on the basis of the consolidated situation of that holding company.

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 24 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**

Externally defined glossary terms

<u>Term</u>	<u>Definition source</u>
<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>
<i><u>parent institution in a Member State</u></i>	<i><u>Article 4(1)(28) CRR</u></i>
<i><u>parent mixed financial holding company in a Member State</u></i>	<i><u>Article 4(1)(32) CRR</u></i>