

## 4. Draft amendments to the ‘Instructions for reporting on leverage’

In this appendix, new text is underlined and deleted text is struck through.

### PART I: GENERAL INSTRUCTIONS

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#### 1.1. Structure

1. This Annex contains additional instructions for the templates (hereinafter “LR”) included in Annex X of this Regulation.

2. Overall, the framework consists of ~~five~~nine templates:

- LV47.00: Leverage Ratio Calculation (LRCalc): Leverage ratio calculation;
- LV40.00: Leverage Ratio Template 1 (LR1): Alternative treatment of the exposure measure;
- LV41.00: Leverage Ratio Template 2 (LR2): On- and off-balance sheet items – additional breakdown of exposures;
- LV43.00 Leverage Ratio Template 4 (LR4): Alternative breakdown of leverage ratio exposure measure components;~~and~~
- LV44.00: Leverage Ratio Template 5 (LR5): General information.
- LV49.00: Leverage Ratio Template 6 (LR6): Treatment of collateral swaps;
- LV50.00: Leverage Ratio Template 7 (LR7): Treatment of repurchase transactions;
- LV51.00: Leverage Ratio Template 8 (LR8): Treatment of agency repurchase transactions; and
- LV52.00: Leverage Ratio Template 9 (LR9): Treatment of internalised trades.

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#### 2a. Additional reporting requirements for *LREQ firms*

14.a In order to reduce the reporting burden for institutions not in scope of the UK leverage ratio capital requirement, only *LREQ firms* shall report templates LV49.00, LV50.00, LV51.00 and LV52.00, on a six-monthly basis at the applicable reporting reference dates (30 June and 31 December). ~~in template LV47.00 only *LREQ firms* shall report averages over the reporting quarter in column 0020, quarter lows in column 0030 and quarter highs in column 0040. All other institutions shall leave these columns blank.~~

14.b In addition, in template LV47.00 only *LREQ firms* shall report rows 0530-0570, and averages over the reporting quarter in column 0020, quarter lows in column 0030 and quarter highs in column 0040. All other institutions shall leave these rows blank.

14.c In templates LV49.00, LV50.00, LV51.00 and LV52.00, the following definitions apply.

- Period end: The relevant data elements as calculated at the reporting reference date.
- Period average: For on-balance sheet assets and securities financing transactions, the arithmetic mean of the relevant data element on each day in the half-year period ending on the relevant reporting reference date. For off-balance sheet items, the arithmetic mean of the relevant data element on the last day of each month in the half-year period ending on the relevant reporting reference date.
- Total exposure measure: The meaning provided in Article 429(4) of Chapter 3 of the Leverage Ratio (CRR) Part of the PRA Rulebook.
- Franchise clients: those clients to whom funding extensions are granted at a client's request even in circumstances where doing so might be detrimental to the firm's leverage ratio position.

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## **7. LV 49.00 – Treatment of collateral swaps**

29. Collateral swaps are transactions in which non-cash assets are swapped for other non-cash assets.

30. In this table, the following column definitions apply:

- 0010 / 0030 - Market value of collateral lent (period end / period average) – The period end or period average, as applicable to each column, current market value of collateral lent, gross of any haircut.
- 0020 / 0040 - Market value of collateral borrowed (period end / period average) – The period end or period average, as applicable to each column, current market value of collateral borrowed, gross of any haircut.

31. In this table, the following row definitions apply:

- 0010 - Total collateral swaps – Calculates the aggregate collateral lent and borrowed in all collateral swap transactions.
- 0020 - of which client financing – Report the collateral swaps activity that is used for client focused purposes, such as: (i) sourcing collateral to meet firm obligations to clients, or (ii) sourcing collateral to cover client and firm shorts. This should not include collateral swaps entered into for the firm's own liquidity needs.
- 0030 – of which activity for franchise clients – Report the collateral swaps activity done with franchise clients.
- 0040 - of which intra-group activity – Report the collateral swaps activity done with other entities within the group, which do not fall within the consolidated situation relevant to the firm specified in rule 2.8 of the Reporting (CRR) Part of the PRA Rulebook.
- 0050 to 0240 - of which: Totals for transactions in which [asset quality type] are lent and the following collateral is borrowed – Report the aggregate collateral borrowed for each category of collateral lent.

32. For rows 0060-0090, 0110-0140, 0160-0190 and 0210-0240, apply the asset class categories as defined in Article 3 of Chapter 1 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook: Level 1 assets, Level 2A assets, Level 2B assets, and non-liquid assets.

## **8. LV 50.00 – Treatment of repurchase transactions**

33. Repurchase transactions are transactions governed by a repurchase agreement or a reverse repurchase agreement involving the exchange of cash.

34. In this table, the following column definitions apply:

- 0010 / 0040 - Gross repo (period end / period average): Report period end or period average, as applicable to each column, total gross value of repurchase transactions (with no recognition of netting).
- 0020 / 0050 - Netted amounts (period end / period average): Report the period end or period average, as applicable to each column, amounts of cash payables and cash receivables of repurchase transactions that have been measured on a net basis for the purposes of calculating the leverage ratio total exposure measure.
- 0030 / 0060 Net repo (period end / period average): Calculates the period end or period average repo activity, as applicable to each column, recognising netted amounts.

35. In this table, the following row definitions apply:

- 0010 - Total repo activity: Report the total gross and netted activity of repurchase transactions.
- 0020 – of which activity for franchise clients – Report repurchase transactions activity done with franchise clients.
- 0030 - of which level 1 HQLA – Report repo activity in which the collateral lent or borrowed is classified as level 1 HQLA.
- 0040 - of which intra-group activity – Report the repurchase transaction activity done with other entities within the group, which do not fall within the consolidated situation relevant to the firm specified in rule 2.8 of the Reporting (CRR) Part of the PRA Rulebook.

## **9. LV 51.00 – Treatment of agency repurchase transactions**

36. Agency repurchase transactions are transactions where a firm acts as an agent between two parties in a repurchase agreement or a reverse repurchase agreement involving the exchange of cash.

37. In this table, the following column definitions apply:

- 0010 / 0040 - Total loan from lender to borrower (period end / period average): Report the period end or period average, as applicable to each column, total amount lent in any agency repurchase transactions.

- 0020 / 0050 - Collateral provided by borrower to lender (period end / period average): Report the period end or period average, as applicable to each column, total amount of collateral provided in return for the amount lent. The value of securities should be calculated as the current market value of collateral lent, gross of any haircut.
- 0030 / 0060 - Contribution to agent's leverage exposure measure (LEM) (period end / period average): Calculates the period end or period average, as applicable to each column, counterparty credit risk add-on for the transaction, which will be reflected in the agent's total leverage exposure measure. This should be the difference between the total loan and the amount of collateral provided in return, as defined above (and floored at zero).

38. In this table, the following row definitions apply:

- 0010 - Agency repo activity in which agent provides a limited guarantee – Report the total agency repurchase transaction activity in which the firm is acting as an agent and providing a guarantee to the lender limited to any difference between the value of the security and the value of collateral, in line with part (a) of Article 429e(7) of Chapter 3 of the Leverage Ratio (CRR) Part of the PRA Rulebook.
- 0020 - Agency repo activity in which agent provides no guarantee – Report the total agency repurchase transaction activity in which the firm is acting as an agent and providing no guarantee to the lender limited to any difference between the value of the security and the value of collateral, in line with part (b) of Article 429e(7) of Chapter 3 of the Leverage Ratio (CRR) Part of the PRA Rulebook.

## **10. LV 52.00 – Treatment of internalised trades**

39. For the purpose of this reporting table, internalised trades captures any trades carried out in a firm's prime brokerage business or defined as a written credit derivative.

40. In this table, the following column definitions apply:

- 0010 / 0040 - Gross market value (period end / period average): Report the period end or period average, as applicable to each column, gross amounts of financing provided under each financing type. Where a firm has financed the assets of one client by internally netting them against the short sale proceeds of another client and where different financing transactions have been used for the respective legs, firms should list the two legs broken out into their constituent parts. For written credit derivatives, firms should not include any purchases of credit protection.
- 0020 / 0050 - Internalised (period end / period average): Report the period end or period average, as applicable to each column, value of internalised amounts achieved by offsetting opposing client positions, whether the same form of financing is used on both legs (e.g. margin loan) or two different forms of financing are used (e.g. long margin loan, short total return swap). This should include client-to-client and client-to-dealer

forms of internalisation, as well as indirect internalisation utilising any off-balance sheet form of hedging or financing.

- For cash prime brokerage, *value* should be interpreted as the market value of the securities pledged in clients' prime brokerage accounts, which are financed by long margin loans that are internalised;
  - For synthetic prime brokerage, *value* should be interpreted as the notional value of derivatives representing client long positions (i.e. the market value of the underlying reference asset/s of the derivatives) that are internalised;
  - For written credit derivatives, *value* should be interpreted as the effective notional of sold credit protection referenced as per Article 429d of Chapter 3 of the PRA Rulebook that is internalised.
- 0030 / 0060 - Contribution to leverage exposures (period end / period average): Report the period end or period average, as applicable to each column, net contribution to the firm's total leverage exposure measure. This should reflect both the amount of financing provided and any hedging assets purchased / collateral management activity.

41. In this table, the following row definitions apply:

- 0010 - Cash prime brokerage: The financing of client positions through cash margin loans and other cash-based products.
- 0050 - Synthetic prime brokerage: The financing of client positions via total return swaps or all other (non-credit) derivatives.
- 0090 – Written credit derivatives: The credit protection purchased or sold via a credit derivative that creates a notional credit exposure related to the creditworthiness of a reference entity.
- 0020, 0060, 0100 – of which activity for franchise clients – Report activity done with franchise clients.
- 0030, 0070, 0110 - of which level 1 HQLA – Report activity in which the underlying asset is classified as level 1 HQLA.
- 0040, 0080, 0120 - of which intra-group activity – Report activity done with other entities within the group, which do not fall within the consolidated situation relevant to the firm specified in rule 2.8 of the Reporting (CRR) Part of the PRA Rulebook.