

EBA/ITS/2014/04

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05 June 2014

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# EBA FINAL draft Implementing Technical Standards

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on disclosure of the leverage ratio under Article 451(2) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR)

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# Abbreviations

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<b>BCBS</b>	Basel Committee on Banking Supervision
<b>CCPs</b>	Central counterparties
<b>CCR</b>	Counterparty credit risk
<b>CET1</b>	Common equity tier 1
<b>CRD</b>	Capital Requirements Directive
<b>CRR</b>	Capital Requirements Regulation
<b>ITS</b>	Implementing Technical Standards
<b>SFT</b>	Securities Financing Transaction

# 1. Executive summary

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The Capital Requirements Regulation ('CRR') and the Capital Requirements Directive ('CRD IV') texts specify the calculation of the leverage ratio, the reporting of which has been applicable from 1 January 2014. In addition to supervisory reporting, Article 451(1) of the CRR requires institutions to disclose information on the leverage ratio. In accordance with point (2)(a) of Article 521(1) of the CRR, disclosure will be applicable from 1 January 2015. To harmonise disclosure, Article 451(2) of the CRR contains a mandate for the EBA to develop draft implementing technical standards (ITS). Against this backdrop, these draft ITS contain a uniform template and instructions for the disclosure of leverage ratio and its components.

The European Commission has been empowered to enact a delegated act to change the calculation of the leverage ratio (Article 456(1)(j) of the CRR) before disclosure begins as of 1 January 2015. For this reason, the ITS in general, and the templates and instructions in particular, will be subject to future changes depending on the decisions made in the delegated act. A number of aspects, including the frequency of disclosure, are not included in the mandate given to the EBA. For some of these aspects, the EBA has been given the mandate to provide an evaluation in the impact report that is due by 31 October 2016 (Article 511(3)(h) of the CRR).

## Main features of the ITS

The draft ITS set out in this document have been developed to include all items that are relevant to disclosure under the CRR provisions. In addition, these draft ITS have been aligned as much as possible with the Basel III leverage ratio framework and disclosure requirements published on 12 January 2014 by the Basel Committee on Banking Supervision (BCBS), and, where relevant, with the ITS on supervisory reporting.

The framework contained in the draft disclosure ITS is directed at institutions and comprises the following four tables, the first two of which follow the template in the BCBS disclosure framework:

1. A table (LRSum) that reconciles the leverage ratio denominator with figures reported under the relevant accounting standards, as required by Article 451(1)(b) of the CRR.
2. A table (LRCom) that provides the leverage ratio and a breakdown of the leverage ratio exposure measure according to exposure categories, and the amount of fiduciary assets that have been derecognised for the purpose of calculating the leverage ratio exposure as per Articles 451(1)(a), 451(1)(b) and 451(1)(c) of the CRR.
3. A table (LRSpI) that provides a breakdown of the leverage ratio exposure for assets that are not derivatives or securities financing transactions ('SFTs') as per Article 451(1)(b) of the CRR.

This breakdown of leverage ratio exposure is deemed to be essential by the EBA given that most of EU institutions' exposures constitute assets that are neither derivatives nor SFTs. The instructions in Annex II clarify how institutions can complete LRSpl by drawing on information from the ITS on supervisory reporting. In addition, the last paragraph of Article 3 exempts institutions from the requirement to disclose this information on a sub-consolidated basis.

4. A table (LRQua) that provides information on leverage risk and the factors that had an impact on the leverage ratio during the period to which the disclosed information refers as required by Articles 451(1)(d) and 451(1)(e) of the CRR.

## 2. Background and rationale

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On 27 June 2013, Directive 2013/36/EU (the Capital Requirements Directive – CRD IV) and Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR), which seek to apply the Basel III framework in the EU, were published in the European Union’s Official Journal. These reformulate the contents of the previous Capital Requirements Directive (CRD) and are colloquially referred to jointly as the CRD IV/CRR.

### The nature of ITS under EU law

These draft ITS are produced in accordance with Article 15 of the EBA Regulation. Paragraph 4 of that same article specifies that ITS shall be adopted by means of an EU Regulation or Decision.

In accordance with EU law, EU Regulations are binding in their entirety and directly applicable in all Member States. This means that, on the date of their entry into force, EU Regulations become part of the national law of the Member States and their implementation into national law is not only unnecessary but also prohibited by EU law, except in so far as this is expressly required by the EU Regulations in question.

Shaping these rules in the form of a Regulation would ensure that there is a level playing field by preventing diverging national requirements and would ease the cross-border provision of services; currently, an institution that wishes to take up operations in another Member State has to apply different sets of rules.

### Background and regulatory approach followed in the draft ITS

In December 2010, the Basel Committee on Banking Supervision (BCBS) published rules defining the methodology for calculating the leverage ratio. These rules will be used during the Basel parallel run period that runs from 1 January 2013 until 1 January 2017. During this period, the leverage ratio, its components and its interaction with the risk-based requirement will be monitored. Based on the results of the observation period, the BCBS intends to make any final adjustments to the definition and calibration of the leverage ratio in the first half of 2017, with a view to migrating to a binding requirement on 1 January 2018 based on an appropriate review and calibration. The BCBS rules also provide for disclosure of the leverage ratio and its components starting from 1 January 2015. In its Basel III leverage ratio framework and disclosure requirements, published on 12 January 2014, the BCBS provides detailed proposals for templates and instructions on leverage ratio disclosure. Compared to an earlier consultation paper, which was published on 26 June 2013, the BCBS has modified its approach to leverage ratio disclosure in certain areas.

The EBA's draft ITS follow the BCBS template and instructions as of 12 January 2014. More specifically:

1. A summary comparison table that reconciles the leverage ratio exposure measure with the figures reported under the relevant accounting standard is included as required by Article (451)(b) of the CRR. Contrary to the consultation paper version of the table, which featured two columns comparing the information published in financial statements and the corresponding leverage ratio exposures, the table in these final draft ITS has been modified in accordance with the revisions made by the BCBS and therefore features only one column which allows a proper reconciliation of the leverage ratio exposure measure with total accounting assets. With this amendment, the EBA also responds to consultation feedback that has referred to consistency with the BCBS framework and suggested a more intuitive form of presentation.
2. A table that provides the leverage ratio, a breakdown of the leverage ratio denominator according to exposure category, and the amount of fiduciary assets that have been derecognised for leverage ratio purposes as per Articles 451(1)(a), 451(1)(b) and 451(1)(c) of the CRR. With regard to this table, the EBA has also responded to the revisions made by the BCBS and relevant consultation feedback, reducing the granularity for off-balance-sheet items and reducing the complexity by allowing a greater reliance on the prudential scope of consolidation.

Together, these disclosure requirements and the use of uniform templates will facilitate cross-jurisdictional comparison of the amounts used to calculate the leverage ratio on the one hand and the balance sheet amounts disclosed in institutions' published financial statements on the other hand. This will ensure the transparency of the leverage ratio calculation and how it relates to financial information obtained from accounting standards. While closely following the approach proposed by the BCBS concerning the structure of the templates, the EBA has made appropriate reference to the European regulatory framework in the instructions on filling in these templates, as some provisions in this framework slightly differ from those in the Basel framework.

As the ITS are strictly based on the definition of the leverage ratio specified in Article 429 of the CRR, the ITS exclude some items that are included in the BCBS template but are not relevant under the CRR rules. To maintain a numbering of the template rows that is consistent with the proposals put forward by the BCBS, which intend to facilitate comparisons of the leverage ratio across jurisdictions, the respective lines form part of the disclosure templates of these ITS but must not be filled in by institutions. Furthermore, a number of EU-specific lines have been added to the templates (labelled with an 'EU-' prefix) reflecting specific aspects of the implementation under the CRR. Where appropriate, the terminology contained in the BCBS template and instructions has been retained. In general, the same approach has been adopted as for the ITS on disclosure for own funds (EBA/ITS/2013/01).

To complement the templates proposed by the BCBS, the EBA has developed two additional tables. The first of these tables (LRSpl) provides a breakdown of the leverage ratio denominator,

excluding derivatives and SFTs, according to counterparty group, and is intended to help market participants identify the drivers of leverage as per Article 451(1)(b) of the CRR. A breakdown of leverage ratio exposure for these assets is deemed to be essential by the EBA given that most of EU institutions' exposure is concentrated in these assets. The instructions for this table clarify how institutions can complete this part of the template by referring to numbers reported under the supervisory reporting ITS. For the second EU-specific table (LRQua), institutions are required to disclose qualitative information on their management of risk of excessive leverage and factors that have impacted the leverage ratio as required by Article 451(1)(d) and 451(1)(e) of the CRR.

A number of aspects are not included in the mandate given to the EBA in reference to this ITS, or are directly addressed in the CRR, such as – in particular – the transitional arrangements for calculating the leverage ratio, the frequency and means of disclosure, and the scope of application of the disclosure requirements. All these aspects are addressed by the CRR and CRD provisions specified below.

- In relation to the transitional arrangements for capital, Article 499 of the CRR specifies:

*'Article 499*

*Leverage*

*1. By way of derogation from Articles 429 and 430, during the period between ...\* and 31 December 2021, institutions shall calculate and report the leverage ratio by using both of the following as the capital measure:*

*(a) Tier 1 capital;*

*(b) Tier 1 capital, subject to the derogations laid down in Chapters 1 and 2 of this Title.*

*2. By way of derogation from Article 451(1), institutions may choose whether to disclose the information on the leverage ratio based on either just one or both of the definitions of the capital measure specified in points (a) and (b) of paragraph 1 of this Article. Where institutions change their decision on which leverage ratio to disclose, the first disclosure that occurs after such change shall contain a reconciliation of the information on all leverage ratios disclosed up to the moment of the change.*

*3. By way of derogation from Article 429(2), during the period from 1 January 2014 to 31 December 2017, competent authorities may permit institutions to calculate the end-of-quarter leverage ratio where they consider that institutions may not have data of sufficiently good quality to calculate a leverage ratio that is an arithmetic mean of the monthly leverage ratios over a quarter.'*

- In addition, Article 433 of the CRR specifies the following in relation to the frequency of disclosures in general, i.e. not only for leverage ratio purposes:

*'Article 433*

### *Frequency of disclosure*

*Institutions shall publish the disclosures required by this Part at least on an annual basis. Annual disclosures shall be published in conjunction with the date of publication of the financial statements.*

*Institutions shall assess the need to publish some or all disclosures more frequently than annually in the light of the relevant characteristics of their business such as scale of operations, range of activities, presence in different countries, involvement in different financial sectors, and participation in international financial markets and payment, settlement and clearing systems. That assessment shall pay particular attention to the possible need for more frequent disclosure of items of information laid down in Article 437, and points (c) to (f) of Article 438, and information on risk exposure and other items prone to rapid change.*

*EBA shall, in accordance with Article 16 of Regulation (EU) No 1093/2010, issue guidelines by 31 December 2014 on institutions assessing more frequent disclosures of Titles II and III.'*

- In addition, in relation to specific publication requirements, Article 106 of the CRD specifies the following:

#### *'Article 106*

#### *Specific publication requirements*

*1. Member States shall empower the competent authorities to require institutions:*

*(a) to publish information referred to in Part Eight of Regulation (EU) No .../2013\* more than once per year, and to set deadlines for publication;*

*(b) to use specific media and locations for publications other than the financial statements.*

*2. Member States shall empower competent authorities to require parent undertakings to publish annually, either in full or by way of references to equivalent information, a description of their legal structure and governance and organisational structure of the group of institutions in accordance with Article 14(3), Article 74(1) and Article 109(2).'*

- In relation to the scope of application of disclosure requirements Articles 6 and 13 of the CRR are also relevant:

#### *'Article 6*

#### *General principles*

*1. Institutions shall comply with the obligations laid down in Parts Two to Five and Eight on an individual basis.*

*(...)*

*3. Every institution which is either a parent undertaking, or a subsidiary, and every institution included in the consolidation pursuant to Article 19, shall not be required to comply with the obligations laid down in Part Eight on an individual basis.*

*(...)*

### *Article 13*

#### *Application of disclosure requirements on a consolidated basis*

*1. EU parent institutions shall comply with the obligations laid down in Part Eight on the basis of their consolidated situation.*

*Significant subsidiaries of EU parent institutions and those subsidiaries which are of material significance for their local market shall disclose the information specified in Articles 437, 438, 440, 442, 450, 451 and 453, on an individual or sub-consolidated basis.*

*2. Institutions controlled by an EU parent financial holding company or EU parent mixed financial holding company shall comply with the obligations laid down in Part Eight on the basis of the consolidated situation of that financial holding company or mixed financial holding company.*

*Significant subsidiaries of EU parent financial holding companies or EU parent mixed holding companies and those subsidiaries which are of material significance for their local market shall disclose the information specified in Articles 437, 438, 440, 442, 450, 451 and 453 on an individual or sub-consolidated basis.*

*3. Paragraphs 1 and 2 shall not apply in full or in part to EU parent institutions, institutions controlled by an EU parent financial holding company or EU parent mixed financial holding company, to the extent that they are included within equivalent disclosures provided on a consolidated basis by a parent undertaking established in a third country.*

*4. Where Article 10 is applied, the central body referred to in that Article shall comply with the requirements of Part Eight on the basis of the consolidated situation of the central body. Article 18(1) shall apply to the central body and the affiliated institutions shall be treated as the subsidiaries of the central body.'*

### 3. EBA FINAL draft Implementing Technical Standards on disclosure of the leverage ratio under Article 451(2) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR)

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EUROPEAN COMMISSION

Brussels, **XXX**  
[...](2012) **XXX** draft

**COMMISSION IMPLEMENTING REGULATION (EU) No .../..**

**of **XXX****

**[...]**

**laying down implementing technical standards with regard to disclosure of the  
Leverage Ratio for institutions  
according to Regulation (EU) 575/2013 of the European Parliament and of the  
Council**

**COMMISSION IMPLEMENTING REGULATION (EU) No 575/2013**  
**of XX month 2014**

**laying down implementing technical standards with regard to disclosure of the  
Leverage Ratio for institutions, according to Regulation (EU) No 575/2013 of the  
European Parliament and of the Council**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,  
Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012<sup>1</sup>, and in particular the third subparagraph of Article 451(2) thereof,

Whereas:

- (1) Given that the objective of uniform disclosure templates is to help improve transparency and comparability of leverage ratio figures, rules for disclosure of the leverage ratio by European institutions should be consistent with international standards (reflected in the ‘Revised Basel III leverage ratio framework and disclosure requirements’ of the Basel Committee on Banking Supervision – BCBS) adapted to take into account the European regulatory framework and its specificities.
- (2) For the same reasons of improving transparency and comparability of leverage ratio figures, one of the templates for the disclosure of the leverage ratio should provide a breakdown of leverage ratio exposure sufficiently granular to identify the main composition of the leverage ratio, as well as the on-balance sheet exposure, which is usually the biggest part of the leverage ratio exposure.
- (3) Where, in accordance with the second subparagraph of Article 13(1) of Regulation (EU) No 575/2013, institutions have the obligation to disclose any information on the leverage ratio on the sub-consolidated level, rules on the leverage ratio disclosure should not require those institutions to complete and publish the table entitled ‘LRSpl’ at the sub-consolidated level, in order to keep administrative burden proportionate to the objectives of the rules on leverage ratio disclosure. This is because such disclosure templates are required to be completed and

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<sup>1</sup> OJ L 176, 27.6.2013, p. 1.

published at the consolidated level anyway and their publication at the sub-consolidated level would not provide any considerable added value, given that further breakdown of the total exposure measure for the sub-consolidated level is already provided via the completion of the table entitled 'LRCom'; on the other hand, it could, add considerable burden, as institutions cannot easily derive such a template from the respective supervisory reporting framework, which is not applicable at the sub-consolidated level.

- (4) The scope of consolidation and the valuation methods for accounting purposes and for regulatory purposes can be different, and this results in differences between the information used in the calculation of the leverage ratio and the information used in the published financial statements. In order to reflect this discrepancy, it is necessary to also disclose the difference between the values in the financial statements and the values under the regulatory scope of consolidation of elements in the financial statements that are used to calculate the leverage ratio. Therefore a reconciliation between the two should also be captured in a template.
- (5) To facilitate comparability of the type of information provided, a uniform template and detailed instructions should also be given for the description and disclosure of processes used to manage the risk of excessive leverage, and factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.
- (6) Given that the European Commission is required, by virtue of point (j) of Article 456(1) of Regulation (EU) No 575/2013, to adopt a delegated act amending the capital measure and the total exposure measure of the leverage ratio in order to correct any shortcomings, updates to this Regulation might be necessary in order to ensure consistency with the provisions of that delegated act.
- (7) This Regulation is based on the draft implementing technical standards submitted by the European Supervisory Authority (European Banking Authority ) to the European Commission.
- (8) The European Supervisory Authority (European Banking Authority) has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010,

HAS ADOPTED THIS REGULATION:

### *Article 1*

#### *Disclosure of the leverage ratio and application of Article 499(2) and (3) of Regulation (EU) No 575/2013*

Institutions shall disclose the leverage ratio and how they apply Article 499(2) and (3) of Regulation (EU) No 575/2013, as referred to in point (a) of Article 451(1) of that Regulation, by completing and publishing rows 22, EU-22a and EU-23 of the table entitled 'LRCom' in Annex I in accordance with the instructions of Annex II.

### *Article 2*

#### *Change of the decision on which leverage ratio to disclose according to Article 499(2) of Regulation (EU) no 575/2013*

1. Where, in accordance with Article 499(2) of Regulation (EU) No 575/2013, institutions change their choice of leverage ratio to be disclosed, they shall disclose the reconciliation of the information on all leverage ratios disclosed up to the moment of change by completing and publishing the tables entitled 'LRSum', 'LRCom', 'LRSpl' and 'LRQua' for each of the reference dates corresponding to the leverage ratios disclosed up to the moment of the change.
2. Institutions shall disclose the items referred to in paragraph 1 in the first disclosure that occurs after the change of choice of leverage ratio to be disclosed in accordance with Article 499(2) of Regulation (EU) No 575/2013.

### *Article 3*

#### *Breakdown of the leverage ratio total exposure measure*

Institutions shall disclose the breakdown of the leverage ratio total exposure measure, as referred to in point (b) of Article 451(1) of Regulation (EU) No 575/2013, by completing and publishing both of the following:

- a) rows 1 to 19 and EU-21a of the table entitled 'LRCom' of Annex I in accordance with the instructions in Annex II;
- b) rows EU-1 to EU-12 of the table entitled 'LRSpl' of Annex I in accordance with the instructions in Annex II.

By way of derogation from point (b), where institutions are required, by virtue of the second subparagraph of Article 13(1) of Regulation (EU) No 575/2013 to disclose on a sub-consolidated basis, they shall not be required to complete and publish the table entitled 'LRSpl' of Annex I on a sub-consolidated basis.

### *Article 4*

#### *Reconciliation of leverage ratio to published financial statements*

1. Institutions shall disclose the reconciliation of the leverage ratio exposure to the relevant information in published financial statements, as referred to in point (b) of Article 451(1) of Regulation (EU) No 575/2013, by completing and publishing the table entitled 'LRSum' in Annex I in accordance with the instructions in Annex II.
2. Where institutions do not publish financial statements at the level of application referred to in point 6 of paragraph 1.2 of Part 1 of Annex II they shall not be required to complete and publish the table entitled 'LRSum' in Annex I.

#### *Article 5*

##### *Disclosure of the amount of derecognised fiduciary items*

Institutions shall disclose, where applicable, the amount of derecognised fiduciary items, as referred to in point (c) of Article 451(1) of Regulation (EU) No 575/2013, by completing and publishing row EU-24 of the table entitled 'LRCom' in Annex I, in accordance with the instructions in Annex II.

#### *Article 6*

##### *Disclosure of qualitative information on risk of excessive leverage and factors impacting the leverage ratio*

Institutions shall disclose the description of the processes used to manage the risk of excessive leverage and of the factors that have had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers, as referred to in points (d) and (e) of Article 451(1) of Regulation (EU) No 575/2013, by completing and publishing the table entitled 'LRQua' in Annex I in accordance with the instructions in Annex II.

#### *Article 7*

##### *Final provision*

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

By virtue of point (a) of paragraph 2 of Article 521 of Regulation (EU) 575/2013, it shall apply from January 1, 2015.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission  
The President

[or]  
On behalf of the President  
[Position]

## Annex I – Leverage Ratio Disclosure Templates

CRR Leverage Ratio - Disclosure Template		
	Reference date	
	Entity name	
	Level of application	
Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		
		Applicable Amounts
1	Total assets as per published financial statements	
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation (EU) NO. 575/2013	
4	Adjustments for derivative financial instruments	
5	Adjustments for securities financing transactions	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	
7	Other adjustments	
8	<b>Leverage ratio exposure</b>	
Table LRCom: Leverage ratio common disclosure		
		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	
2	Asset amounts deducted in determining Tier 1 capital	
3	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)</b>	
Derivative exposures		
4	Replacement cost associated with derivatives transactions	
5	Add-on amounts for PFE associated with derivatives transactions	
EU-5a	Exposure determined under Original Exposure Method	
6	<i>empty set in the EU</i>	
7	<i>empty set in the EU</i>	
8	<i>empty set in the EU</i>	
9	<i>empty set in the EU</i>	
10	<i>empty set in the EU</i>	
11	<b>Total derivative exposures (sum of lines 4 to 5a)</b>	
Securities financing transaction exposures		
12	<i>empty set in the EU</i>	
EU-12a	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013	
EU-12b	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013	
13	<i>empty set in the EU</i>	
14	<i>empty set in the EU</i>	
15	<i>empty set in the EU</i>	
16	<b>Total securities financing transaction exposures</b>	
Off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	
18	Adjustments for conversion to credit equivalent amounts	
19	<b>Total off-balance sheet exposures (sum of lines 17 to 18)</b>	
Capital and Total Exposures		
20	<b>Tier 1 capital</b>	
EU-21a	Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) NO. 575/2013	
21	<b>Total Exposures (sum of lines 3, 11, 16, 19 and 21a)</b>	
Leverage Ratios		
22	<b>End of quarter leverage ratio</b>	
EU-22a	<b>Leverage ratio (avg of the monthly leverage ratios over the quarter)</b>	
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO. 575/2013	

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	
EU-2	Trading book exposures	
EU-3	Banking book exposures, of which:	
EU-4	Covered bonds	
EU-5	Exposures treated as sovereigns	
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	
EU-7	Institutions	
EU-8	Secured by mortgages of immovable properties	
EU-9	Retail exposures	
EU-10	Corporate	
EU-11	Exposures in default	
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	

		Column
		Free format
Row		
1	Description of the processes used to manage the risk of excessive leverage	
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	

## Annex II – Instructions for the completion of the templates in Annex I

### PART 1: GENERAL INSTRUCTIONS

#### 1. Conventions and reference data

##### 1.1. Conventions

1. The following general notation is followed in the instructions: {Template;Row}.
2. The following notation is followed where the instructions cross refer to field(s) in Annex XI of Regulation **xx/xxx** on Supervisory Reporting [EBA-ITS-2013-02]: {Annex XI SupRep;Template;Row;Column}.
3. For the purpose of the disclosure of the leverage ratio, ‘of which’ shall refer to an item that is a subset of a higher level exposure category.

##### 1.2. Reference data

4. Under the field ‘Reference date’ institutions shall insert the date which all information that they disclose in tables LRSum, LRCom and LRSpl refer to, with the exception of row EU-22a of LRCom. This date shall be the date of the most recent monthly leverage ratio that the institution uses for determining row EU-22a of LRCom.
5. Under the field ‘Entity name’ institutions shall insert the name of the entity to which the data provided in Tables LRSum, LRCom, LRSpl, and LRQua refer.
6. Under the field ‘Level of application’ institutions shall indicate the level of application that forms the basis for the data provided in the templates. When completing this field institutions shall select one of the following:
  - Consolidated
  - Individual
  - Subconsolidated

## PART 2: TEMPLATE-SPECIFIC INSTRUCTIONS

### 2. Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

7. Institutions shall apply the instructions provided in this section in order to complete table LRSum of Annex I.

Row	Legal references and instructions
{1}	<p><b>Total assets as per published financial statements</b></p> <p>Institutions shall disclose the total assets as published in their financial statements under the applicable accounting framework as defined in Article 4(1)(77) of Regulation (EU) No 575/2013.</p>
{2}	<p><b>Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation</b></p> <p>Institutions shall disclose the difference in value between the leverage ratio exposure as disclosed in LRSUM{8} and total accounting assets as disclosed in LRSUM{1} that results from differences between the accounting scope of consolidation and the regulatory scope of consolidation.</p> <p>If this adjustment leads to an increase in exposure, institutions shall disclose this as a positive amount. If this adjustment leads to a decrease in exposure, institutions shall disclose this as a negative amount.</p>
{3}	<p><b>Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure according to Article 429 (11) of Regulation (EU) No 575/2013</b></p> <p>Institutions shall disclose the amount of derecognised fiduciary items according to Article 429 (11) of Regulation (EU) No 575/2013.</p> <p>If this adjustment leads to a decrease in exposure, institutions shall disclose this as a negative amount. If this adjustment leads to a decrease in exposure, institutions shall disclose this as a negative amount.</p>
{4}	<p><b>Adjustments for derivative financial instruments</b></p> <p>For credit derivatives and contracts listed in Annex II of Regulation (EU) No 575/2013, institutions shall disclose the difference in value between the accounting value of the derivatives recognised as assets and the leverage ratio exposure value as determined by application of the mark-to-market method under Article 274 of Regulation (EU) No 575/2013 or the original exposure method under Article 275 of Regulation (EU) No 575/2013.</p> <p>If this adjustment leads to an increase in exposure, institutions shall disclose this as a positive amount. If this adjustment leads to a decrease in exposure, institutions shall disclose this as a negative amount.</p>

{5}	<p><b>Adjustments for securities financing transactions</b></p> <p>For securities financing transactions (repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions), institutions shall disclose the difference in value between the accounting value of the SFTs recognised as assets and the leverage ratio exposure value as determined by application of Article 429 (9) Regulation (EU) No 575/2013.</p> <p>If this adjustment leads to an increase in the exposure, institutions shall disclose this as a positive amount. If this adjustment leads to a decrease in exposure, institutions shall disclose this as a negative amount.</p>
{6}	<p><b>Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)</b></p> <p>Institutions shall disclose the difference in value between the leverage ratio exposure as disclosed in LRSUM{8} and total accounting assets as disclosed in LRSUM{1} that results from the inclusion of off-balance sheet items in the leverage ratio exposure measure.</p> <p>If this adjustment leads to an increase in the exposure, institutions shall disclose this as a positive amount. If this adjustment leads to a decrease in exposure, institutions shall disclose this as a negative amount.</p>
{7}	<p><b>Other adjustments</b></p> <p>Institutions shall include any remaining difference in value between the leverage ratio exposure as disclosed in LRSUM{8} and total accounting assets as disclosed in LRSUM{1} that is not included in LRSUM{2}, LRSUM{3}, LRSUM{4}, LRSUM{5} or LRSUM{6}. This may include, for example, the deductions from Tier 1 capital that are subtracted from the leverage ratio exposure measure as per LRCOM {2}</p> <p>If these adjustments lead to an increase in the exposure, institutions shall report this as a positive amount. If these adjustments lead to a decrease in exposure, the institutions shall disclose this as a negative amount.</p>
{8}	<p><b>Leverage ratio exposure</b></p> <p>Institutions shall disclose the amount disclosed in {LRCom; 21}.</p>

### 3. Table LRCom: Leverage ratio common disclosure

8. Institutions shall apply the instructions provided in this section in order to complete table LRCom of Annex I.

Row	Legal references and instructions
{1}	<p><b>On-balance sheet items (excluding derivatives and SFTs, but including collateral)</b> Article 429 of Regulation (EU) No 575/2013</p> <p>Institutions shall disclose all assets other than contracts listed in Annex II of Regulation (EU) No 575/2013, credit derivatives, repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions. Institutions shall base the valuation of these assets on the principles set out in Article 429 (5) of Regulation (EU) No 575/2013.</p> <p>Institutions shall include in this field cash received or any security that is provided to a counterparty via repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions and that is retained on the balance sheet (i.e. the accounting criteria for derecognition under the applicable accounting framework are not met).</p>
{2}	<p><b>Asset amounts deducted in determining Tier 1 capital</b> Article 429 (4), subparagraph 1, of Regulation (EU) No 575/2013</p> <p>Institutions shall disclose the amount of regulatory value adjustments made to Tier 1 amounts according to the choice made pursuant to Article 499 (2) of Regulation (EU) No 575/2013, as disclosed in {LRCom;EU-23}.</p> <p>More specifically, where the choice to disclose Tier 1 capital is made in accordance with Article 499 (1) (a) of Regulation (EU) No 575/2013, institutions shall disclose the value of the sum of:</p> <ul style="list-style-type: none"> <li>- all the adjustments required by Articles 32 to 35 of Regulation (EU) No 575/2013 with the exception of gains and losses on liabilities of the institution in accordance with Article 33(1)(b) of Regulation (EU) No 575/2013,</li> <li>- the deductions pursuant to Articles 36 to 47 of Regulation (EU) No 575/2013, as well as the deductions pursuant to Articles 56 to 60 of Regulation (EU) No 575/2013, taking into account the exemptions, alternatives and waivers to such deductions laid down in Articles 48, 49 and 79 of Regulation (EU) No 575/2013, without taking into account the derogation laid down in Chapters 1 and 2 of Title I of Part Ten of Regulation (EU) No 575/2013.</li> </ul> <p>To avoid double counting, institutions shall not include adjustments already applied pursuant to Article 111 of Regulation (EU) No 575/2013 when calculating the exposure value in rows 1, 4, EU-12a and EU-12b.</p> <p>In contrast, where the choice to disclose Tier 1 capital is made in accordance with Article 499 (1) (b) of Regulation (EU) No 575/2013, institutions shall disclose the value of the sum of</p> <ul style="list-style-type: none"> <li>- all the adjustments required by Articles 32 to 35 of Regulation (EU) No 575/2013 with the exception of gains and losses on liabilities of the</li> </ul>

	<p>institution in accordance with Article 33(1)(b) of Regulation (EU) No 575/2013,</p> <ul style="list-style-type: none"> <li>- the deductions pursuant to Articles 36 to 47 of Regulation (EU) No 575/2013, as well as the deductions pursuant to Articles 56 to 60 of Regulation (EU) No 575/2013, taking into account the exemptions, alternatives and waivers to such deductions laid down in Articles 48, 49 and 79 of Regulation (EU) No 575/2013, and the derogations laid down in Chapter 1 and 2 of Title I of Part Ten of Regulation (EU) No 575/2013.</li> </ul> <p>To avoid double counting, institutions shall not include adjustments already applied pursuant to Article 111 of Regulation (EU) No 575/2013 when calculating the exposure value in rows 1, 4, EU-12a and EU-12b.</p> <p>If, in total, the adjustments lead to an increase in the exposure, institutions shall disclose this as a positive amount. If, in total, the adjustments lead to a decrease in exposure, institutions shall disclose this as a negative amount.</p>
{3}	<p><b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b> The sum of {LRCom; 1}, {LRCom;2}.</p>
{4}	<p><b>Replacement cost associated with derivatives transactions</b> Articles 274, 295, 296, 297, 298 and 429 of Regulation (EU) No 575/2013.</p> <p>Institutions shall disclose the current replacement cost as specified in Article 274(1) of contracts listed in Annex II of Regulation (EU) No 575/2013 and credit derivatives.</p> <p>As determined by Article 429(6) of Regulation (EU) No 575/2013, institutions shall take into account the effects of contracts for novation and other netting agreements, except contractual cross-product netting agreements, in accordance with Article 295 of Regulation (EU) No 575/2013.</p> <p>Institutions shall consider all credit derivatives, not solely those in the trading book.</p> <p>Institutions shall not include in this field contracts measured by application of the Original Exposure Method in accordance with Articles 429(7) and 275 of Regulation (EU) No 575/2013.</p>
{5}	<p><b>Add-on amount for PFE associated with derivatives transactions (mark to market method)</b></p> <p>Articles 274, 295, 296, 297, 298, 299 (2), 429 of Regulation (EU) No 575/2013</p> <p>Institutions shall disclose the add-on for the potential future exposure (PFE) of contracts listed in Annex II of Regulation (EU) No 575/2013 and of credit derivatives calculated in accordance with the mark-to-market method (Article 274 of Regulation (EU) No 575/2013 for contracts listed in Annex II of Regulation (EU) No 575/2013 and Article 299(2) of Regulation (EU) No 575/2013 for credit derivatives) and applying netting rules according to Article 429(6) of Regulation (EU) No 575/2013. In determining the exposure value of those contracts, institutions shall take into account the effects of contracts for novation and other netting agreements, except contractual cross-product netting agreements, in accordance with Article 295 of Regulation (EU) No 575/2013.</p> <p>In accordance with Article 429(8) of Regulation (EU) No 575/2013, when determining the potential future credit exposure of credit derivatives, institutions shall apply the principles</p>

	<p>laid down in Article 299(2) of Regulation (EU) No 575/2013 to all their credit derivatives, not just those assigned to the trading book.</p> <p>Institutions shall not include in this field contracts measured by application of the Original Exposure Method in accordance with Articles 429(7) and 275 of Regulation (EU) No 575/2013.</p>
{EU-5a}	<p><b>Exposure determined under Original Exposure Method</b></p> <p>Article 429 (7) of Regulation (EU) No 575/2013</p> <p>Institutions shall disclose the exposure value of derivatives calculated according to the Original Exposure Method set out in Article 275 of Regulation (EU) No 575/2013.</p> <p>Institutions that do not use the Original Exposure Method shall not report this field.</p> <p>Institutions shall not consider in this field contracts measured by application of the mark-to-market method in accordance with Articles 429(6) and 274 of Regulation (EU) No 575/2013.</p>
{6}	<b>Empty set in the EU</b>
{7}	<b>Empty set in the EU</b>
{8}	<b>Empty set in the EU</b>
{9}	<b>Empty set in the EU</b>
{10}	<b>Empty set in the EU</b>
{11}	<p><b>Total derivatives exposures</b></p> <p>Sum of {LRCom; 4}, {LRCom; 5}, and {LRCom; EU-5a}.</p>
{12}	<b>Empty set in the EU</b>
{EU-12a}	<p><b>SFT exposure according to Article 220 of Regulation (EU) No 575/2013</b></p> <p>Article 429(9) of Regulation (EU) No 575/2013</p> <p>Institutions shall disclose the exposure value of repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions calculated in accordance with Article 220 (1) to (3) of Regulation (EU) No 575/2013.</p> <p>Institutions shall not consider in this field transactions for which the leverage ratio exposure value is determined in accordance with the method defined in Article 222 Regulation (EU) No 575/2013.</p> <p>Institutions shall not include in this field cash received or any security that is provided to a counterparty via the aforementioned transactions and is retained on the balance sheet (i.e.</p>

	the accounting criteria for derecognition are not met). Institutions shall instead include those items in {LRCom; 1}.
{EU-12b}	<p><b>SFT exposure according to Article 222 of Regulation (EU) No 575/2013</b></p> <p>Article 429 (9) of Regulation (EU) No 575/2013</p> <p>Institutions shall disclose the exposure value of repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions calculated in accordance with Article 222 of Regulation (EU) No 575/2013.</p> <p>Institutions shall not consider in this field transactions for which the leverage ratio exposure value is determined in accordance with the method defined in Article 220 of Regulation (EU) No 575/2013.</p> <p>Institutions shall not include in this field cash received or any security or commodity that is provided to a counterparty via the aforementioned transactions and is retained on the balance sheet (i.e. the accounting criteria for derecognition are not met). Institutions shall instead include those items in {LRCom; 1}.</p>
{13}	<b>Empty set in the EU</b>
{14}	<b>Empty set in the EU</b>
{15}	<b>Empty set in the EU</b>
{16}	<p><b>Total securities financing transaction exposures</b></p> <p>Sum of {LRCom; EU-12a}, {LRCom; EU-12b}.</p>
{17}	<p><b>Off-balance sheet exposures at gross notional amount:</b></p> <p>Article 429 (10) of Regulation (EU) No 575/2013</p> <p>Institutions shall disclose the nominal value of all off-balance sheet items as defined in Article 429(10) of Regulation (EU) No 575/2013, before any adjustment for conversion factors.</p>
{18}	<p><b>Adjustments for conversion to credit equivalent amounts</b></p> <p>Article 429 (10) (a), (b), (c) of Regulation (EU) No 575/2013</p> <p>Institutions shall include the difference in value between the nominal value of off-balance sheet items as disclosed on LRCom{17} and the leverage ratio exposure value of off-balance sheet items as included in LRCom{19}. Institutions shall disclose this as a negative amount.</p>
{19}	<p><b>Total off-balance sheet exposures</b></p> <p>Article 429(10) of Regulation (EU) No 575/2013</p> <p>Institutions shall disclose the leverage ratio exposure values for off-balance sheet items</p>

	determined in accordance with Article 429(10) of Regulation (EU) No 575/2013 taking into account the relevant conversion factors.
{20}	<p><b>Tier 1 capital</b> Articles 429 (3) and 499 (1) and (2) of Regulation (EU) No 575/2013</p> <p>The amount of Tier 1 capital calculated according to the choice that the institution has made pursuant to Article 499 (2) of Regulation (EU) No 575/2013, as disclosed by {LRCom;EU-23}.</p> <p>More specifically, where the institution has chosen to disclose Tier 1 capital in accordance with Article 499 (1) (a) of Regulation (EU) No 575/2013, it shall disclose the amount of Tier 1 capital as calculated according to Article 25 of Regulation (EU) No 575/2013, without taking into account the derogations laid down in Chapters 1 and 2 of Title I of Part Ten of Regulation (EU) No 575/2013.</p> <p>In contrast, where the institution has chosen to disclose Tier 1 capital in accordance with Article 499 (1) (b) of Regulation (EU) No 575/2013, it shall disclose the amount of Tier 1 capital as calculated according to Article 25 of Regulation (EU) No 575/2013, after taking into account the derogations laid down in Chapters 1 and 2 of Title I of Part Ten of Regulation (EU) No 575/2013.</p>
{EU-21a}	<p><b>Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) No 575/2013</b> Articles 429 (4) of Regulation (EU) No 575/2013</p> <p>Institutions shall disclose the amount of additional exposures of financial sector entities according to the choice made pursuant to Article 499 (2) of Regulation (EU) No 575/2013, as disclosed by {LRCom;EU-23; *}.</p> <p>More specifically, where institutions have chosen to disclose Tier 1 capital in accordance with Article 499 (1) (a) of Regulation (EU) No 575/2013, they shall disclose the exposure value of significant investments in financial sector entities determined in accordance with the second subparagraph of Article 429 (4), of Regulation (EU) No 575/2013. The exposure value disclosed shall be reduced by the total amount of all direct, indirect and synthetic holdings of the institution of the Common Equity Tier 1 instruments of the financial sector entities that is not deducted pursuant to Article 47 and point (b) of Article 48(1) of Regulation (EU) No 575/2013. Institutions shall not take into account the derogations laid down in Chapter 1 and 2 of Title I of Part Ten of Regulation (EU) No 575/2013.</p> <p>Where institutions have chosen to disclose Tier 1 capital in accordance with Article 499 (1) (b) of Regulation (EU) No 575/2013, institutions shall disclose the exposure value of significant investments in financial sector entities determined in accordance with the second subparagraph of Article 429 (4). The exposure value disclosed shall be reduced by the total amount of all direct, indirect and synthetic holdings of the institution of the Common Equity Tier 1 instruments of the financial sector entities that is not deducted pursuant to Article 47 and point (b) of Article 48(1) of Regulation (EU) No 575/2013. Institutions shall take into account the derogations laid down in Chapter 1 and 2 of Title I of Part Ten of Regulation (EU) No 575/2013.</p>
{21}	<b>Total exposures</b>

	Institutions shall disclose the sum of {LRCom; 3}, {LRCom; 11}, {LRCom; 16}, {LRCom; 19}, and {LRCom; EU-21a}.
{22}	<p><b>End of quarter leverage ratio</b></p> <p>Institutions shall disclose {LRCom; 20}/ {LRCom; 21} expressed as a percentage.</p>
{EU-22a}	<p><b>Leverage ratio (avg of the monthly leverage ratios over the quarter)</b> Article 429 (2) of Regulation (EU) No 575/2013</p> <p>For the quarter which includes the reference date as determined in point 4 of paragraph 1.2 of Part 1 of Annex II, institutions shall disclose the simple arithmetic mean of the monthly leverage ratios over that quarter expressed as a percentage.</p> <p>Where the derogation specified in Article 499 (3) of Regulation (EU) No 575/2013 applies, institutions shall insert ‘Not applicable due to Article 499(3) of Regulation (EU) No 575/2013’.</p>
{EU-23}	<p><b>Choice on transitional arrangements for the definition of the capital measure</b> Article 499 (2) of Regulation (EU) No 575/2013</p> <p>Institutions shall specify their choice of transitional arrangements for capital for the purpose of disclosure requirements by selecting one of the following two categories: Fully phased-in Transitional</p>
{EU-24}	<p><b>Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013</b></p> <p>Institutions shall disclose the amount of derecognised fiduciary items according to Article 429(11) Regulation (EU) No 575/2013.</p>

#### 4. Table LRSpl: Split-up of on-balance sheet exposures (excluding derivatives and SFTs)

9. Institutions shall apply the instructions provided in this section in order to complete table LRSPL of Annex I.

	Legal references and instructions
Row	
{EU-1}	<p><b>Total on-balance sheet exposures (excluding derivatives and SFTs), of which</b></p> <p>Institutions shall disclose the sum of {LRSpl; EU-2} and {LRSpl; EU-3}.</p>
{EU-2}	<p><b>Trading book exposures</b></p> <p>Institutions shall disclose the exposures as defined in {Annex XI of SupRep; LR4; 070; 010}, which is the total exposure value of assets belonging to the trading book excluding derivatives and SFTs.</p>
{EU-3}	<p><b>Banking book exposures, of which</b></p> <p>Institutions shall disclose the sum of {LRSpl; EU-4}, {LRSpl; EU-5}, {LRSpl; EU-6}, {LRSpl; EU-7}, {LRSpl; EU-8}, {LRSpl; EU-9}, {LRSpl; EU-10}, {LRSpl; EU-11}, {LRSpl; EU-12}.</p>
{EU-4}	<p><b>Covered Bonds</b></p> <p>Institutions shall disclose the exposures as defined in {Annex XI of SupRep; LR4; 080; 010} and {Annex XI of SupRep; LR4; 080; 020}, which is the total exposure value of assets that are in the form of covered bonds.</p>
{ EU-5}	<p><b>Exposures treated as sovereigns</b></p> <p>Institutions shall disclose the exposure as defined in {Annex XI of SupRep; LR4; 090; 010} and {Annex XI of SupRep; LR4; 090; 020}, which is the total exposure value towards entities that are treated as sovereigns under Regulation (EU) No 575/2013.</p>
{EU-6}	<p><b>Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns</b></p> <p>Institutions shall disclose the exposure as defined in {Annex XI of SupRep; LR4; 140; 010} and {Annex XI of SupRep; LR4; 140; 020}, which is the total exposure value towards to regional governments and local authorities, multilateral development banks, international organisations and public sector entities that are not treated as sovereigns under Regulation (EU) No 575/2013..</p>
{ EU-7}	<p><b>Institutions</b></p> <p>Institutions shall disclose the exposure as defined in {Annex XI of SupRep; LR4; 180; 010} and {Annex XI of SupRep; LR4; 180; 020} which is the exposure value of exposures towards institutions..</p>
{EU-8}	<p><b>Secured by mortgages of immovable properties</b></p> <p>Institutions shall disclose the exposure as defined in {Annex XI of SupRep; LR4; 190; 010} and {Annex XI of SupRep; LR4; 190; 020} which is the exposure value of assets that are exposures secured by mortgages on immovable properties.</p>

{ EU-9}	<p><b>Retail exposures</b></p> <p>Institutions shall disclose the exposure as defined in { Annex XI of SupRep; LR4; 210; 010} and { Annex XI of SupRep ; LR4; 210; 020} which is the total exposure value of assets that are retail exposure.</p>
{EU-10}	<p><b>Corporate</b></p> <p>Institutions shall disclose the exposure as defined in { Annex XI of SupRep; LR4; 230; 010} and { Annex XI of SupRep; LR4; 230; 020} which is the total exposure value of assets that are corporate exposure (i.e. financial and non-financial).</p>
{ EU-11}	<p><b>Exposures in default</b></p> <p>Institutions shall disclose the exposure as defined in { Annex XI of SupRep; LR4; 280; 010} and { Annex XI of SupRep; LR4; 280; 020} which is the total exposure value of assets that are in default.</p>
{EU-12}	<p><b>Other exposures (e.g. equity, securitisations, and other non-credit obligations assets)</b></p> <p>Institutions shall disclose the exposure as defined in { Annex XI of ITS; LR4; 290; 010} and { Annex XI of ITS; LR4; 290; 020} which is the total exposure value of other non-trading book exposures (e.g. equity, securitisations and non-credit obligation assets) under Regulation (EU) No 575/2013. Institutions shall include assets that are deducted in determining Tier 1 capital and therefore are disclosed in {LRCom; 2} unless these assets are included in {LRSpl; EU-2} to {LRSpl; EU-12}.</p>

## 5. Table LRQua: Free format text boxes for disclosure on qualitative items

10. Institutions shall complete table LRQua of Annex I by applying the following.

	Legal references and instructions
<b>Row</b>	
{ 1 }	<p><b>Description of the processes used to manage the risk of excessive leverage</b></p> <p>Article 451(1)(d) of Regulation(EU) No 575/2013</p> <p>‘Processes used to manage the risk of excessive leverage’ shall include any relevant information on:</p> <p>(a) procedures and resources used to assess the risk of excessive leverage;</p> <p>(b) quantitative tools, if any, used to assess the risk of excessive leverage including details on potential internal targets and whether other indicators than the CRR leverage ratio are being used;</p> <p>(c) ways of how maturity mismatches and asset encumbrance are taken into account in managing the risk of excessive leverage;</p> <p>(d) processes for reacting to leverage ratio changes, including processes and timelines for potential increase of Tier 1 capital to manage the risk of excessive leverage; or processes and timelines for adjusting the leverage ratio denominator (exposure measure) to manage the risk of excessive leverage.</p>
{ 2 }	<p><b>Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers</b></p> <p>Article 451(1)(e) of Regulation(EU) No 575/2013</p> <p>‘Disclosure of factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers’ shall include any material information on:</p> <p>(a) quantification of the change in the leverage ratio since the previous disclosure reference date</p> <p>(b) the main drivers of the leverage ratio since the previous disclosure reference date with explanatory comments on:</p> <p>(1) the nature of the change and whether it was a change in the numerator of the ratio, in the denominator of the ratio or in both;</p> <p>(2) whether it resulted from an internal strategic decision and, where so, whether that strategic decision was aimed directly at the leverage ratio or whether it impacted the leverage ratio only indirectly;</p> <p>(3) the most significant external factors related to the economic and financial environments that had an impact on the leverage ratio.</p>

## 4. Accompanying documents

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### 4.1 Cost-benefit analysis/impact assessment

#### Introduction

Article 15(1) of the EBA regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council) provides that when any draft ITS developed by the EBA are submitted to the Commission for adoption, they should be accompanied by an analysis of ‘the potential related costs and benefits’. This analysis should provide an overview of the findings regarding the problem to be dealt with, the solutions proposed and the potential impact of these options.

This note outlines the assessment of the impact of the draft ITS regarding the uniform disclosure of the leverage ratio. The development of the draft ITS stems from the requirement presented in Article 451(2) of the Capital Requirements Regulation (CRR).

#### Problem identification

##### *Issues identified by the Commission regarding leverage disclosure*

Taking into consideration the integrated nature of financial markets in the EU, comparability and consistency of disclosures is key to ensure that capital can be allocated by market participants efficiently across the single market. To this end and to ensure that there is a level playing field between EU institutions, the Commission proposed that institutions use a common template (based on a similar format and content) to disclose their leverage ratio and their regulatory adjustments.

#### Objectives of the ITS

The ITS specify the information that credit institutions should report as well as the format of the templates they should use. These requirements aim to achieve the following three objectives:

- To provide a uniform reporting format to allow meaningful comparisons between entities.
- To provide sufficient granularity in disclosures so that users of this information have enough elements to assess the composition of the leverage ratio and to reconcile information in the disclosure templates with information in the financial statements.
- To achieve the objective of maximum harmonisation as well as the single rule book<sup>2</sup> identified in the impact assessment accompanying the CRR.

#### Technical options considered

<sup>2</sup> See the impact assessment accompanying the CRR: [http://ec.europa.eu/internal\\_market/bank/docs/regcapital/CRD4\\_reform/IA\\_regulation\\_en.pdf](http://ec.europa.eu/internal_market/bank/docs/regcapital/CRD4_reform/IA_regulation_en.pdf)

### *Reporting template*

The disclosure templates and requirements proposed in these ITS closely followed the structure of the BCBS<sup>3</sup> proposals. To accommodate the specific aspects of the EU regulatory framework, a minor EU-specific part has been added.

The reporting templates proposed by the BCBS have been adapted to fit the requirements of the CRR as follows:

- **Summary reconciliation template** – This template provides a comparison between total accounting assets and leverage ratio exposures and a reconciliation between the two.
- **Leverage ratio common disclosure template** – This template provides an overview of the breakdown of the main components of the leverage ratio.

The EU-specific part is composed of the following:

- **On-balance-sheet exposure template** – This template divides on-balance-sheet items into the main exposure categories. Since its scope (prudential scope of consolidation) is identical, it can be completed entirely by referring to the ITS on supervisory reporting.
- **Qualitative item template** – This template requires institutions to provide a description of the processes used to manage the risk of excessive leverage and of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.

### *Impact of the proposals*

#### *Benefits*

The templates proposed in these ITS will provide investors, market analysts and other users of financial information and stakeholders with a richer set of information regarding the nature of the adjustments made to exposures in the financial statement to assess the leverage ratio, as well as regarding the composition of the leverage ratio and its drivers for change. This additional information should enable them to make a better judgment of the leverage position of an institution, thereby increasing market discipline.

#### *Costs*

The main costs for institutions will be related to setting up processes that allow them to produce the required disclosure templates. The costs will be driven by the complexity of the balance sheet of the institutions. Therefore, for smaller institutions, which have fewer resources but also simpler balance sheets, it will be comparatively easier to provide the requested disclosures than for more complex institutions.

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<sup>3</sup> Basel Committee on Banking Supervision (BCBS) – [Revised Basel III leverage ratio framework and disclosure requirements](#) – June 2013.

Moreover, the revisions that have been made to the CP version of the disclosure templates have significantly reduced the potential additional costs resulting from the production of the leverage ratio disclosures. Indeed, following the feedback from the public consultation on the additional information required in LRCom rows 15-17 (see section 4.3) and the revisions to the BCBS templates, which have resulted in a less detailed split-up of off-balance-sheet items, the EBA has decided to reduce the granularity of the disclosure template.

Additional costs incurred in producing the disclosure template will be limited as the disclosure data can be extracted from the ITS on supervisory reporting. However, this will not be the case for significant sub-consolidated subsidiaries as the scope of the ITS on supervisory reporting does not cover these entities. Therefore, the requirement to complete and disclose LRSpl will not apply to these subsidiaries. If the implementation were to cover significant sub-consolidated subsidiaries, then it would create a disproportionate additional administrative burden on these subsidiaries.

*Table 1 – Summary of the costs and benefits of the proposals.*

	<b>Costs</b>	<b>Benefits</b>
<i>Institutions</i>	Compliance costs to produce the new templates: <ul style="list-style-type: none"> <li>- Data collection;</li> <li>- Record keeping;</li> <li>- Monitoring systems.</li> </ul>	Enhance market discipline: <ul style="list-style-type: none"> <li>- Reduce risk appetite of institutions;</li> <li>- Improve market confidence in the institutions (i.e. better access to funding).</li> </ul>
<i>Markets and investors</i>	None	Improve capacity to compare institutions and to assess their ability to meet their financial obligations. This would: <ul style="list-style-type: none"> <li>- Reduce asymmetry of information between stakeholders and institutions;</li> <li>- Improve market confidence and financial stability; and</li> <li>- Allow a better allocation of capital in the markets.</li> </ul>

## 4.2 Views of the Banking Stakeholder Group (BSG)

The BSG welcomed the draft ITS as in the consultation paper, in particular the close alignment of the proposed templates with the reporting templates required for the reporting of the leverage ratio within the COREP framework whilst also using the same referencing as the Basel Committee templates. Generally, the BSG expressed its preference for less granularity in view of the BCBS observation period till 2017. In this regard, the BSG mentioned that it understands the BCBS disclosures would not be finalised until 2018, and that institutions would be likely to complete templates manually until then. Furthermore, the BSG would prefer any potential updating of templates to happen as infrequently as possible, the maximum disclosure frequency to be annually, and to have quarter-end leverage ratios instead of three-monthly averages.

Regarding the design of the templates, a particular suggestion made by the BSG was that the disclosure template should be limited to Table LRSum. Another comment was that Table LRQua was seen as excessively granular, which would not be favoured by the BSG, especially to the extent that it would be market sensitive. With regard to the instructions, the BSG suggested that it would be redundant to include exposures in financial sector entities pursuant to Article 429(4) 2nd it for disclosure on a solo level. Regarding off-balance-sheet items, the BSG has the understanding that the weights of LRCom (rows 15-17) are different to the weights used in the supervisory reporting templates. In addition, the 'material product types' in LRCom (rows 15a; 15.1a; 15.2a, 16a) should, in the view of the BSG, be limited to items exceeding a certain threshold with respect to the total exposure (e.g. 2%). Furthermore, the BSG expressed that, as it understands it, Table LRCom would not allow for a disclosure of the leverage ratio both according to the transitional as well as the end-state definition of own funds.

The views of the BSG are addressed together with views from other respondents in the following section.

### 4.3 Feedback on the public consultation and on the opinion of the BSG

The EBA publicly consulted on the draft proposal contained in this paper.

The consultation period lasted twelve weeks and ended on 24 January 2014. Twelve responses were received, of which ten were published on the EBA website. The BSG also provided an opinion on the draft ITS.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them, where deemed necessary.

In many cases, several industry bodies made similar comments or the same body repeated its comments in the response to different questions. In these cases, the comments, and EBA analysis, are included in the section of this paper that the EBA considers the most appropriate.

Changes to the draft ITS have been incorporated as a result of the responses received during the public consultation.

#### Summary of key issues and the EBA's response

##### General comments

Respondents generally welcomed the opportunity to comment on the EBA's proposal.

Most respondents said that the level of detail requested is too granular for disclosure purposes. It is claimed that many institutions will not invest in IT systems that would automate the completion of these templates until the final definition is decided by Basel in 2018. A few respondents said that disclosing only LRSum should be sufficient during the monitoring period. A specific concern was that the detail requested for off-balance-sheet items requires more information than what is required in the ITS on supervisory reporting.

Some respondents said that the EBA should await future changes (such as the Commission's use of its delegated act) before finalising the draft disclosure ITS. This will ensure that there is less confusion with regard to the definitions used. A specific comment was that any future changes should be communicated well in advance, and should be as infrequent as possible to give institutions sufficient time to prepare.

**The EBA response**

In light of the feedback on the additional information required in LRCom rows 15-17, which pointed out that the additional value gained may be poor, as well as in light of the revisions to the BCBS templates, which have resulted in a less detailed split-up of off-balance-sheet items, the EBA has decided to reduce the level of granularity in some aspects. First of all, the proposal to request examples of off-balance-sheet items has been removed in alignment with the revised BCBS template. Secondly, the revision to base the disclosure template in these final draft ITS almost entirely on the prudential scope of consolidation will, in the expectation of the EBA, further ease the implementation. Thirdly, regarding Table LRSpl, the EBA deems disclosure essential as it provides an additional breakdown of assets which represent the bulk of leverage ratio exposure for most EU institutions. Furthermore, the EBA still holds the view that disclosing LRSpl should not involve an excessive operational burden given that similar information is provided by institutions under the ITS on supervisory reporting.

The suggestion to postpone a delivery of the ITS cannot be accommodated, as the EBA is mandated to submit the draft disclosure ITS to the Commission by June 2014 and the delegated act of the Commission will not be completely final at that time. The finalisation of an updated version of the ITS may nonetheless be effected without delay following the EBA recommendation that the Commission is to further update it in accordance with the delegated act. The EBA therefore expects to achieve the minimum number of versions, while still meeting its CRR mandate.

**Structure of the main body of the ITS**

Most respondents said that the provisions in the draft ITS were generally clear. However, some comments pointed out that cross-references could be added or that certain parts could be better articulated. Some comments were also made about further aligning the draft ITS with the ITS on supervisory reporting. Furthermore, a comment was made against having a strict format for the quantitative tables (where, in the respondent's view, an additional explanation should be added), while the more free-format Table LRQua was seen as too free and not conducive to comparability.

**The EBA response**

The EBA has amended some parts, but, where respondents did not clarify which points could be better drafted, no further revisions have been made. With respect to cross-references, the EBA has clarified the direct cross-references to the ITS on supervisory reporting regarding Table LRSpl and the EBA has also clarified instructions regarding LRSum and LRCom which are, where possible, also closely aligned with the definitions of the ITS on supervisory reporting. Regarding the

prescriptiveness of the table instructions, the EBA continues to hold the view that quantitative tables should be uniform and the qualitative table should be free-format.

### **Table LRSum**

A few respondents made the point that reconciliation with accounting would not be possible for those cases in which no published financial accounts are available. A situation like this could, for example, exist when a credit institution (which has subsidiaries but is owned itself by another undertaking) does not have a listing.

Another comment suggested enhancing readability by revising the presentation of LRSum, reversing the order of the rows by starting with the balance sheet total, and subsequently taking on board the different adjustments.

Further comments focused on detailed aspects of the instructions or cell descriptions. These comments concerned, for example, a missing reference or a perceived point of inconsistency with the ITS on supervisory reporting.

### **The EBA response**

The EBA acknowledges that in cases where institutions do not publish financial statements at the same level at which institutions need to disclose (based on the CRR), the disclosure of the reconciliation cannot be required. This has been clarified in Article 4(2).

Regarding the suggested re-ordering of LRSum, the EBA acknowledges that this may enhance readability and would like to note that by aligning LRSum with the new BCBS framework it has implemented this suggestion.

The detailed comments and suggestions received have, in some cases, been acknowledged and incorporated by the EBA. However, in some other cases, the EBA did not share the view of the respondent about a perceived inconsistency.

### **Tables LRCom, LRSpl and LRQua**

In feedback regarding Table LRCom, respondents tended to mention that the off-balance-sheet item information requested in the consultation paper relating to material product types would be too granular and also might not generate high-quality information.

Further comments focused on detailed aspects of the instructions or cell descriptions. These comments asked, for example, why the names of cells tend to contain BCBS terminology instead of that of the CRR, or why the structure of the LRSum and LRCom are aligned with the BCBS templates as they are. In addition, some comments highlighted specific mistakes in the

instructions relating to specific cells, such as a missing reference or a perceived point of inconsistency with the ITS on supervisory reporting.

#### **The EBA response**

In light of the feedback on the off-balance-sheet information required in LRCom, which pointed out that the additional value gained by disclosing material product types may be poor, as well as in light of the revisions to the BCBS templates, which have led to the removal of these line items, the EBA has decided to reduce the level of granularity in this regard. The proposal to request examples of off-balance-sheet items has therefore been removed in alignment with the BCBS template.

The detailed comments and suggestions received have, in some cases, been acknowledged and incorporated by the EBA. However, in some other cases, the EBA did not share the view of the respondent about a perceived inconsistency.

#### **Impact assessment**

Respondents generally agreed with this assessment. Respondents tended to provide varying views on whether the additional administrative burden would be large or minor. The latter would be the case if information to be disclosed can be sourced from the ITS on supervisory reporting. Some respondents mentioned the administrative burden would depend on the granularity of the breakdown of OBS items and on the frequency of disclosures. It was also argued that until 2017 (the end of the BCBS observation period), institutions would choose not to invest in IT systems that would automate the completion of the templates.

#### **The EBA response**

The EBA acknowledges that, to the degree the required information in the disclosure template differs from the information reported under the ITS on supervisory reporting, there may be additional costs. In this regard, the EBA considers the potential burden to be for the most part removed on the basis of the revisions that have been made to the CP version of the disclosure templates. Regarding the point made about manual input, the EBA does not share the expectation that disclosure would radically change after the end of the observation period, which would make IT investments uneconomic. Regarding the frequency of disclosure, the EBA would like to note that this matter does not fall within the EBA's mandate for drafting the ITS on leverage ratio disclosure, but will instead be informed by separate guidelines (Article 16 of Regulation (EU) No 1093/2010).

## Summary of responses to the consultation and the EBA's analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<b>General comments</b>			
	<p>Some respondents said that the EBA should await future changes (such as the Commission's use of its delegated act) before finalizing the draft disclosure ITS. This will ensure that there is less confusion regarding the definitions used.</p> <p>Some suggested that any future changes should be communicated well in advance, and should be as infrequent as possible to give institutions sufficient time to prepare. This, they argue, will also ensure the provision of higher quality data.</p>	<p>This suggestion could not work as the EBA is mandated to submit the draft disclosure ITS to the Commission by June 2014 and the delegated act of the Commission may not be completely final at that time. The finalisation of an updated version of the ITS may nonetheless be effected without delay following the EBA recommendation that the Commission is to further update it in accordance with the delegated act. The EBA therefore expects to achieve the minimum number of versions, while still meeting its CRR mandate.</p>	No amendments.
	<p>Most respondents said that the level of detail requested is too granular for disclosure purposes (although it is recognised that detail is needed for reporting to regulators and supervisors). It is claimed that many institutions will have to prepare these submissions manually until the final definition is decided by Basel in 2018. A few respondents said that disclosing LRSum only should be sufficient during the monitoring period.</p>	<p>The level of disclosed information as proposed in the consultation paper is in accordance with the CRR, and, for international comparability, is aligned as closely as possible with the Basel template, which was consulted upon from June to September 2013. In view of the international comparison, the final draft ITS have been revised in accordance with the revised Basel III framework as published on 12 January 2014 to the extent possible under the current CRR.</p>	A general alignment of LRSum and LRCom with the new BCBS framework, in particular refocusing on the prudential scope of consolidation.
	<p>In addition, a few respondents said that LRSpl was not necessary to calculate the leverage ratio. It was important for monitoring by regulators for calibration purposes, but did not need to be</p>	<p>Disclosure of Table LRSpl is deemed essential as it provides an additional breakdown of assets which represent the bulk of leverage ratio exposure for most EU institutions. Furthermore, the EBA still</p>	No amendments.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	disclosed.	holds the view that disclosing LRSpl should not involve an excessive operational burden given that similar information is provided by institutions under the ITS on supervisory reporting.	
	The majority of respondents said that the detail requested for off-balance-sheet items asks for more information than what is required in the COREP reporting template. This will be an additional burden for firms. One respondent suggested deleting this element.	The level of granularity of off-balance-sheet items has been significantly reduced in the final draft ITS. This has been done in alignment with the 12 January BCBS text.	In alignment with the BCBS standard, significantly reduced.
	Some respondents said that firms are able to choose what should go into the breakdown of off-balance-sheet items. This will reduce comparability across firms. Disclosure by product type is not generally required under Pillar 3 disclosures.	The level of granularity of off-balance-sheet items has been significantly reduced in the final draft ITS. This has been done in alignment with the 12 January BCBS text.	In alignment with the BCBS standard, significantly reduced.
	A few respondents said that the reconciliation with accounting is considered insufficient and could be improved. For example, the reconciliation could follow the revised Basel approach. Some respondents suggested deleting the reconciliation.	By having followed the consultative (June 2013) version of the BCBS rules text, the EBA has included in the consultative version of its draft ITS an approach that is somewhat different from the 12 January BCBS rules text. With these final draft ITS, the EBA has aligned the reconciliation with the 12 January rules text.	Improvements made by aligning with the BCBS standard.
	Most responses regarding the frequency of	The CRR states that disclosure should be at least	No amendments.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>disclosure said that disclosure should only be on an annual basis. Giving national authorities the option to choose more frequent disclosures will be burdensome for firms during the monitoring period. Furthermore, some responses mentioned that it was important to understand what the frequency of disclosure will be to be able to adequately assess the cost/benefit impact of this provision.</p> <p>A few respondents noted that the templates do not permit institutions to disclose a transitional and an end-point definition if they wish to do so.</p>	<p>annually (Article 433). Note that the EBA will, in accordance with Article 16 of Regulation (EU) No 1093/2010, issue guidelines by 31 December 2014 on institutions assessing more frequent disclosures.</p> <p>If the institution would like to disclose both the transitional and end-point Tier 1 leverage ratio, it will have to submit two templates – one for each. This is because the transitional deductions in the Tier 1 numerator will impact the exposure values, particularly due to any deductions made as a result of the consolidation of financial sector entities.</p>	No amendments.
	<p>Some respondents said that the templates give the option to disclose a point-in-time or average leverage ratio. A point-in-time ratio will be more appropriate until the leverage ratio is finalised and becomes binding.</p>	<p>The CRR (Article 499 (3)) states that institutions may apply for permission from their competent authority to calculate the point-in-time figure and this permission may be granted if the institution does not have sufficient quality data. This is only until 31 December 2017. Otherwise, the CRR requires an average calculation.</p>	No amendments.
	<p>Most respondents said that LRQua requests too much information (such as the processes for managing the excessive risk of leverage, maturity mismatching and encumbered assets). As it is free format, the comparability may be doubtful. The information requested may also be market sensitive. In addition, it was pointed out that Basel does not require this. Further guidance is also requested.</p>	<p>The CRR explicitly requests this type of information (Article 451, 1 (d), (e) of the CRR). Guidance has been given on the type of information that should be included here, which should improve comparability.</p> <p>The CRR states that disclosure will be at a consolidated level, but should also be performed for entities that are considered material (Article 13 of the CRR)</p>	
	<p>A few respondents said that disclosure should be at the consolidated level only (e.g. it would be</p>	<p>These comments relate to the level 1 text and/or the Commission’s delegated act and therefore do not</p>	

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>disproportionate for loosely-tied savings banks). The scope of consolidation should be clarified.</p> <p>Some comments have been received purporting views such as that the leverage ratio should not be anything other than a Pillar 2 ratio, should not become more important than the risk-based ratio, or should be calculated differently.</p>	relate to the EBA's ITS mandate.	
<b>Responses to questions in Consultation Paper EBA/CP/2013/41</b>			
Question 1. Are the provisions included in these draft ITS sufficiently clear? Are there aspects which need to be elaborated further?	<p>Most respondents said that the provisions in the draft ITS were generally clear, but the EBA could clarify some aspects.</p> <p>The majority of respondents said that the close alignment with COREP is welcome.</p> <p>A few respondents said that the comparison with the Basel template (e.g. the referencing) is welcome.</p>	The EBA has reviewed the feedback and has clarified issues where possible.	Updating the row numbering in alignment with the BCBS revisions.
	Some respondents said that the EBA should reflect the BCBS decision on the definition. One respondent said that this included whether NIMM should be considered to replace CEM, for example. The respondent recognised that a delegated act is required to change the CRR.	As mentioned by the respondent, this is for the Commission to decide by means of its delegated act. At this point in time, the draft disclosure ITS reflect the current CRR text. Basel is yet to decide on the use of NIMM for the leverage ratio.	No amendments.
	Some respondents said that it would be helpful if all the calculations can be taken directly from the	Given that at the level of the BCBS the scope of consolidation of the leverage ratio has been reduced	A general alignment of LRSum and

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	COREP leverage template (as is done under LRSpl: EU-31;010).	from the accounting consolidation under the June consultation paper to the prudential consolidation in the 12 January 2014 rules text, the EBA has decided to also assume the prudential scope of consolidation for the majority of rows. A single row (row EU21-a) discloses the exposures of financial sector entities in accordance with Article 429(4) 2nd subparagraph of the CRR.	LRCom with the new BCBS framework, in particular refocusing on the prudential scope of consolidation.
	A few respondents said that more detailed requirements regarding which information should be given in this part (LRQua) of the template should be provided. A minimum set of definitions would be appreciated. ‘Excessive leverage’, for example, is not clearly defined and could lead to misleading information being provided.	There is a definition of ‘excessive leverage’ in the Directive and the CRR recital. The EBA deems that no further guidance is necessary.	No amendments.
	One respondent argued that Articles 2, 4 and 6 should be made easier to read.	In the EBA’s opinion, these articles read well. Given the lack of suggestions or reasons why these articles would be hard to read, no further revisions have been made.	No amendments.
	One respondent argued that the structure of the draft ITS makes the ITS difficult to read. The ITS should be readable independent of the annexes.	The EBA would like to note that the ITS should not be drafted in such a way that there is duplication.	No amendments.
	One respondent argued that cross-referencing between the table and text could ensure that users are able to find all the relevant information quickly.	The EBA would like to note that cross-referencing is already present.	No amendments.
	One respondent said that for the derivative PFE calculation, work has been done in the Enhanced	The EBA does not view the suggested disclosure as	No amendments.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	Disclosure Task Force. The EBA should integrate this approach in the tables.	relevant because the disclosure is not necessarily aimed at the leverage ratio. In addition, the EBA notes that it deviates from the Basel Committee template.	
	One respondent argued against having a strict format for the quantitative tables (where, in the respondent's view, an additional explanation should be added,) while the more free-format Table LRQua was seen as too free and not conducive to comparability.	The EBA continues to hold the view that quantitative tables should be uniform and the qualitative table should be free-format.	No amendments.
	One respondent suggested the inclusion of references to the annual report and to the Pillar 3 report to assist readers in finding more granular information regarding exposure elements and how they are valued, as well as to aid understanding of the elements involved in the exposure and how they relate to the respective bank's business model.	The EBA acknowledges that further references, if possible, may help users of financial information. However, given that not all banks are subject to the same accounting standards, the EBA cannot see any further possibilities for pre-specifying references.	No amendments.
Question 2. Are the instructions provided in Annex 2 on the balance sheet reconciliation of LRSum sufficiently clear? Should the instructions for some rows be clarified? Which ones in particular? Are some rows missing?	A few respondents opposed reconciliation with accounting. There are examples where sub-consolidated accounts for regulated groups are not set up or published (in line with EU law on sub-consolidated accounts). Therefore, there should be no leverage reconciliation in these cases. The expectation is that only published financial accounts must be reconciled in the leverage ratio disclosure.	Reconciliation is required by the CRR (Article 451, 1b) and is also included in the BCBS rules text. If there are no financial statements at the level at which institutions need to disclose (based on the CRR), these institutions will not be required to disclose reconciliation.	Instructions amended to clarify this point.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>One respondent said that it may be useful to revise the presentation of LRSum to facilitate readers' understanding of reconciliation with financial statements. For example, this could be done by reversing the order in which the rows are presented (i.e. to start with the balance sheet total and to subsequently take on board the off-balance-sheet exposures, the securities financing transactions and the on-balance-sheet items (excluding derivatives and SFTs), in that order)</p>	<p>A general alignment of LRSum with the new BCBS framework has been performed, which has dealt with this concern.</p>	<p>A general alignment of LRSum with the new BCBS framework dealt with this point.</p>
	<p>A few respondents said that there is a cross-referencing error (paragraph 1.3.c of the template instructions for LRSum refers to column 20 of table LRCom. There does not appear to be a column 20 in LRCom, so this reference should probably refer to column 20 of LRSum)</p>	<p>No longer relevant as there is no second column in the amended template in these final draft ITS.</p>	<p>Not relevant.</p>
	<p>One respondent said that LRSum {1;010} does not give sufficient guidance on the collateral to be included here (e.g. should it be a gross measure against negative derivative fair values?).</p>	<p>No longer relevant as the amended template does not include this row now.</p>	<p>Not relevant.</p>
	<p>Another respondent said that the title of (LRSum; 1; 010) should clarify if the position should contain on-balance-sheet and off-balance-sheet items or also if all the transactions listed in Annex 1 Regulation EU No 575/2013 should be excluded.</p>	<p>The comment is not entirely accurate as the title of the cell already made it clear that off-balance-sheet items are not part of it. Also note that the on-balance-sheet part of items listed in Annex 1 Regulation EU No 575/2013 should be seen as on-balance-sheet. Further note that off-balance-sheet items are now to be completed in row 6 of the template.</p>	<p>No additional amendment.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>A couple of respondents said that {LRSum; 1;020} is compared with {LRSum; 1; 010}, which are the assets according to the published financial statements. They said it would make more sense to take {LRSum; 1; 020} from {LRCom; 1; 010} instead of {LRCom; 3; 010} (already excl. any regulatory adjustments to Tier 1 capital that are deducted from the leverage ratio exposure measure).</p>	<p>In row 7 of LRSum in the amended template, it has been clarified that institutions shall include deductions from Tier 1 capital that are subtracted from the leverage ratio exposure measure, as per LRCOM {2}</p>	<p>Amended to clarify this point.</p>
	<p>One respondent said that LRSum is supposed to provide a reconciliation with the denominator with the figures reported in financial accounts. However, the table assumes that the total of the published financial statement assets (row 5, column 10) is always equal to the FINREP balance sheet total (row 5, column 20). Domestic accounting standards may require that bond discounts be qualified as liabilities, whereas FINREP requires them to be included as an asset.</p>	<p>This may be based on a misunderstanding as the ITS do not refer to the FINREP framework.</p>	<p>No amendments.</p>
	<p>One respondent said that the instructions for column 10, rows 1, 2 and 3 specify the value should be <i>the value as published in the accounting scope balance sheet</i>. However, the clarification only seems to be valid for derivative and SFT assets.</p>	<p>The respondent does not clarify why row 1 of column 10 cannot be the value as published in the accounting scope balance sheet. Further note that row 1 in the amended template continues to build on values as published in the accounting scope balance sheet.</p>	<p>No additional amendment.</p>
	<p>One respondent questioned the approach taken for cash collateral. In cell {1; 010}, it states that cash received must also be included. Cash received is not an asset but a liability, and therefore must not be included. This collateral would be counted</p>	<p>The current CRR does not allow for off-setting of cash collateral received against the positive mark-to-market exposure. It is therefore recognised as an exposure for leverage ratio purposes in the CRR definition (and this is the IFRS accounting</p>	<p>No amendments.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	twice as the correspondent amount of the cash received is shown on the asset side of the balance sheet and therefore included.	treatment), and continues to contribute to the values to be disclosed.	
Question 3. Are the instructions provided in Annex 2 on the breakdown of leverage ratio exposure of LRCom and LRSpl sufficiently clear? Should the instructions for some rows be clarified? Which ones in particular? Are some rows missing?	<p>One respondent suggested that a second consultation should be started that would further focus on the breakdown of off-balance-sheet exposures to ensure the consistency and usefulness of the information.</p> <p>A few respondents had questions about the differences between LRSpl and LRSum. LRSpl {EU-30}.</p>	<p>Given the 30 June 2014 submission deadline, the EBA does not foresee the possibility of having a second consultation. In addition, the disclosure of off-balance-sheet items has been simplified and aligned with the BCBS revised framework.</p> <p>In the consultative version of the draft ITS, LRSpl was subject to prudential scope whereas LRSum was subject to a wider scope. In view of further alignment with the 12 January BCBS standard, the general focus in the final draft ITS has shifted towards a prudential scope for LRSum too. Regarding the calculation of LRSpl, nothing needed to be changed in the EBA's opinion.</p>	<p>Amended.</p> <p>Amended.</p>
	A couple of respondents noted that there was a mistake in the instructions for {LRCom; 1; 010}: The position should be called 'On-balance-sheet items (excluding derivatives and SFTs, including collateral'.	The respondent seems to be correct. The template heading includes collateral for this cell.	Amended.
	For {LRCom; 4; 010}, one respondent suggested using the term 'Market value (mark to market	Whilst the EBA acknowledges that replacement cost is not a term used in the CRR, it has decided to retain	Amended.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	method) instead of 'Replacement cost (mark to market method).	the term in alignment with the BCBS template. The instructions do clarify what is meant.	
	One respondent said that all cells with 'empty set in the EU' should be deleted for simplicity and readability.	The EBA continues to see added value in having clear rows that refer to the BCBS rows, even if they are to remain empty. This ensures comparability with the Basel template and is therefore important.	No amendments.
	One respondent pointed out that there was a mistake in the instructions. Table LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives and SFTs) – first bullet point should correctly read: Institutions shall apply the instructions provided in this section to complete table LRSpl of Annex I (instead of table LROth of Annex I).	This point has been corrected.	Amended.
	The explanation for LRCom line 3 does not refer to collateral; it should specify that collateral is included.	This point has been corrected.	Amended.
	One respondent asked for clarification on what should be included in LRSpl: Should high-risk assets coming from a non-performing situation be included as exposures at default? It should be confirmed that defaulted exposures should be omitted from the rest of exposures.	Only exposures that are reported in {Annex X of ITSSupRep; LR4; 280; 010} and {Annex X of ITS SupRep; LR4; 280; 020} shall be disclosed. A defaulted exposure remains part of the leverage ratio exposure measure for as long as it remains on the balance sheet in accordance with the applicable accounting framework and has not been fully deducted from own funds.	Amended.
	One respondent asked for clarification on SMEs. In LRSpl, non-retail SMEs are not categorised. It should be confirmed that these should be reported	Note that the instructions refer to the ITS on supervisory reporting under which non-retail SMEs	No amendments.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	as corporate exposures.	should be categorised under corporate.	
	One respondent said that the weights used for OBS exposures in LRCom (rows 15-17) are different to the weights used in the supervisory reporting templates.	This is not the case. Furthermore, in the amended template it is further clarified that the CCF weights are the same as in the ITS on supervisory reporting.	No amendments.
	A couple of respondents said that the additional OBS information (LRCom rows 15-17) on material product types should be limited to items exceeding a certain threshold relative to the total exposure (e.g. 2%) since the added value of this additional information is negligible for small volumes.	The disclosure of off-balance-sheet items has been simplified and aligned with the BCBS revised framework.	A general alignment of LRSum with the new BCBS framework dealt with this point.
	One respondent said that the ITS requires exposures in accordance with CCFs, but financial statements only include nominal figures. Suggest adding an additional column to present the nominal OBS positions to aid reconciliation.	In the simplified new version, both the nominals and the effects of the CCFs are disclosed separately.	A general alignment of LRSum with the new BCBS framework dealt with this point.
	One respondent suggested some drafting. On the instructions (row 2, page 24): regulatory adjustments to Tier 1 capital that 'increase the own funds shall be reported as a positive figure. On the contrary, any amount that reduces the total own funds shall be reported as a negative figure'. 'On the contrary' is confusing and redundant.	The EBA still holds the view that these instructions are necessary.	No amendments.
	A few respondents said that there should be	The EBA has included the maximum possible number of references in its CP version of the instructions.	No amendments.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	clearer references to the reporting template		
	One respondent said that there will be no added value in disclosing LRSpl. A disclosure without SFTs and derivatives does not differ in any significant manner from the existing EAD disclosure of credit risks. If investors wish to compare both ratios, a disclosure would lead to confusion.	The EBA still holds the view that LRSpl has substantial added value as the largest amount of the leverage ratio exposure resides in ordinary on-balance-sheet assets. Furthermore, EAD has the potential to materially differ from leverage ratio exposure, and LRSpl can be directly sourced from cells in the ITS on supervisory reporting.	No amendments.
	One respondent objected to the disclosure of the year-end ratio as it might give rise to misunderstanding and confusion. The relevant ratio is based on an average (total of LRs reported on the quarterly reporting dates/4). Any delta between the year-end figure and average value would give rise to questions and leaves too much scope for confusion.	The firm can disclose more frequently if it so wishes (Article 433 of the CRR). The firm must disclose an average figure if it has adequate quality data so it would not be disclosing a point-in-time ratio alongside an average ratio.	No amendments.
	LRCom {1;* } : The description should cover 'all on-balance-sheet assets as defined in Article 429 of the CRR', excluding fiduciary assets. This should replace 'all assets'.	The EBA acknowledges that fiduciary assets should indeed not be part of the leverage ratio exposure. The instructions have been amended for this cell.	Amended.
	(EU-10a) and (EU-10b): clarification on what types of transactions are included. Articles 220 and 222 of the CRR do not discuss this, but rather the way to calculate the exposure. It could be seen that EU-10a covers master netting agreements and EU-10b	The EBA can see that the non-mutual exclusiveness may potentially be a matter of interpretation of the CRR stipulations themselves. The instructions of the ITS on supervisory reporting on this point therefore	No amendments.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>covers deals that are assessed under the standardised approach. However, since these kinds of transactions are not mutually exclusive, this interpretation does not work.</p> <p>One respondent said that LRCom EU-10a requires clarification. The instructions imply that this CCR measure excludes ‘normal’ repos and includes reverse repos and stock borrowing. This is because the final paragraph for this item requires the exclusion of cash and security legs of repos and stock loans. The respondent does not believe that this is the intention of the regulation and would welcome clarification. Recommend that the final paragraph should be deleted, as well as the corresponding guidance in LRSum {1;010} and LRCom {1;* }. If it is the intention to exclude ‘normal’ repos and stock loans are excluded, the paragraph should be adjusted (see p. 5, italics)</p>	<p>don’t add additional interpretation.</p> <p>In view of aligning with the BCBS framework, the EBA remains of the opinion that cash received or any security that is provided to a counterparty via the specified transactions and is retained on the balance sheet (i.e. the accounting criteria for derecognition are not met) shall not be reported in this row.</p>	No amendments.
<p>Question 4. Do you agree with our assessment? If not please explain why and provide estimates of such impacts whenever possible.</p>	<p>Respondents generally agreed with this assessment but noted that a full assessment would depend on the breakdown of OBS items and on the frequency of disclosures.</p> <p>Some respondents said that although it is true that there will be no significant costs if the disclosure is based on the reporting, there will be an additional burden on human resources during the period prior to the finalisation of the definition due to the manual input required.</p>	<p>The EBA acknowledges that disclosure requirements can lead to a certain degree of administrative burden. However, given the latest adjustments, which ensure that a greater number of rows can be fed from the ITS on supervisory reporting, the EBA deems the additional administrative burden to be small. Also note that the granularity of off-balance-sheet items has been significantly reduced in the final draft ITS. The EBA further acknowledges that a change in the exposure definition following adoption of the delegated act by the Commission could lead</p>	No further amendments.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>A few respondents argued that the entire regulatory framework leads to an enormous increased operational effort. The required granularity of data, particularly the off-balance-sheet positions, would be challenging for a variety of institutions – forcing them to adjust their data.</p> <p>Most respondents said that disclosures with the detail specified in the consulted draft ITS should only be required on an annual basis, at the same time as the publication of banks’ annual reports.</p>	<p>to a minor adjustment in these ITS. However, given that these final draft ITS have been aligned the template with the Basel template to the maximum extent possible under the current CRR, the parts that could change after the adoption of the delegated act seem to be negligible.</p> <p>Regarding frequency, the EBA will, under Article 433 and in accordance with Article 16 of Regulation (EU) No 1093/2010, issue guidelines by 31 December 2014 on institutions assessing more frequent disclosures.</p>	No amendments.

