AUTORITÉ DES MARCHÉS FINANCIERS

# General Instructions

**Leverage Ratio Disclosure Requirements**

January 2015

# TABLE OF CONTENTS

## GENERAL OVERVIEW

On January 12, 2014, the Basel Committee on Banking Supervision (the "Basel Committee") has issued the integral text of the guideline entitled *Basel III leverage ratio framework and disclosure requirements*[1] (the "Basel Committee leverage ratio framework"), which introduces a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements.

In addition, this document presents the public disclosure requirements that are effective January 1, 2015.

The present general instructions on Leverage Ratio Disclosure Requirements sets out precisions on the application of the disclosure requirements for financial institutions.[2] These requirements should be made in accordance with Basel Pillar 3.

[1] http://www.bis.org/publ/bcbs270.pdf

[2] Financial Services cooperatives members of a federation, credit unions not members of a federation, trust companies and savings companies to which apply *An Act respecting financial services cooperatives* and *An Act respecting trust companies and savings companies* are referred to as "financial institutions".

# SECTION 1 INSTRUCTIONS

## 1. Scope

The domestic systemically important financial institutions (D-SIFI) are subject to the disclosure requirements as set out in Part 4 of this document. Non-D-SIFI should disclose their information based on the requirements set out in Part 5 of this document. All financial institutions that continue to meet the criteria stated in Part 1 of Pillar 3 are excluded from the disclosure requirements of the leverage ratio.

## 2. Effective date and report frequency

D-SIFIs should fully implement the disclosures as required in this document starting with the first quarter 2015 reporting. Non-D-SIFIs should do the same for year end 2015 reporting. Financial institutions can disclose additional information at their discretion.

Under the Basel Committee leverage ratio framework, the reports should be published at the same frequency and, concurrently with, the publication of the financial statements. Financial institutions that do not publish financial statements should communicate their financial information on the leverage ratio at the same frequency as their Pillar 3 disclosures

## 3. Location of disclosure

As per paragraph 47 of the Basel Committee's leverage ratio framework, financial institutions should disclose the required information in accordance with the instructions set out in Part 4 or in Part 5 of this document in their published financial statements or, at a minimum, provide a direct link to the completed disclosures on their websites.

Financial institutions that do not publish financial statements must disclose required information with their Pillar 3 disclosures, as described in Part 4 of Pillar 3[3].

To ensure consistency and usefulness, the public information on the leverage ratio should be disclosed as soon as practicable, but no later than the limit set by the Autorité des marchés financiers (the "AMF").

As per paragraph 48 of the Basel Committee's leverage ratio framework, financial institutions must make available on their website an ongoing archive of all reconciliation templates, disclosure templates and explanatory tables relating to prior reporting periods. Financial institutions are required to ensure that Pillar 3 information already disclosed is publicly available for a period of at least 12 months. If financial institutions provide investors with the information on the leverage ratio for a longer period of time, then they should provide Pillar 3 information for the same period of time.

[3] Autorité des marchés financiers. *Capital Adequacy Guideline,* par. 818, January 2015.

## 4. Disclosure requirements for D-SIFI

The Basel Committee leverage ratio framework public disclosure requirements include:

i. **A summary comparison table:** D-SIFIs are required to report the reconciliation of their balance sheet assets from their published financial statements with the leverage ratio exposure measure using Table 1 in the Annex I.

ii. **A common disclosure template:** D-SIFIs are required to provide a breakdown of the main leverage ratio regulatory elements using Table 2 in the Annex I.

    The AMF requires D-SIFIs to report the leverage ratio using both the transitional measure of Tier 1 capital and the all-in measure of Tier 1 capital. Lines 1 to 22 of this template are based on the Basel transitional leverage ratio. Lines 23 to 26 should be used to report the all-in leverage ratio.

iii. **A reconciliation requirement:** D-SIFIs are required to disclose and detail the source of material differences between their total balance sheet assets (net of on-balance sheet derivative and securities financing transactions (SFT) assets) as reported in their financial statements and their on-balance sheet exposures in line 1 of the common disclosure template.

iv. **Other disclosures:** D-SIFIs are required to explain the key drivers of material changes in their Basel III leverage ratio observed from the end of the previous reporting period to the end of the current reporting period (whether the changes stem from changes in the numerator and/or from changes in the denominator).

## 5. Disclosure requirement for non-D-SIFI financial institutions

Non-D-SIFIs are required to report a breakdown of the main leverage ratio regulatory elements on an “all-in” basis, using Table 3 in the Annex II.

## ANNEX 1 DISCLOSURE TEMPLATES TO BE USED BY D-SIFIs

The templates shown below have been extracted from the Basel Committee leverage ratio framework and from the AMF's leverage ratio requirements as described in the *Capital Adequacy Guideline*[4] and should be read in conjunction with these documents. The references indicate paragraphs of the Basel Committee leverage ratio framework.

**TABLE 1[5]**

**Summary comparison of accounting assets vs leverage ratio exposure measure – on a transitory basis for D-SIFIs**

| | **Item** | **In Canadian dollars** |
|---|---|---|
| 1 | Total consolidated assets as per published financial statements | |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | |
| 3 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | |
| 4 | Adjustments for derivative financial instruments | |
| 5 | Adjustment for securities financing transactions (i.e. repos and similar secured lending) | |
| 6 | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | |
| 7 | Other adjustments | |
| **8** | **Leverage ratio exposure** | |

4 Autorité des marchés financiers. *Capital Adequacy Guideline*, January 2015.

5 Basel Committee on Banking Supervision. *Basel III leverage ratio framework and disclosure requirements*, par. 52, January 2014. http://www.bis.org/publ/bcbs270.pdf

D-SIFIs should not change the row numbering as indicated above to ensure that stakeholders can easily compare D-SIFIs across jurisdictions.

When a cell is empty, the row can be deleted, but the row number should remain unchanged.

**TABLE 1**

**Lines extracted from the Basel Commitees leverage ratio (with references to the AMF's leverage ratio requirements of the *Capital Adequacy Guideline*.**

| Row | Explication |
|---|---|
| 1 | Total consolidated assets as per their published financial statements |
| 2 | Adjustments related to investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes, but outside the scope of regulatory consolidation as set out in paragraphs 9 and 16 of Annex 1-IV of the *Capital Adequacy Guideline* |
| 3 | Adjustments related to any fiduciary assets recognised on the balance sheet pursuant to the financial institution operative accounting framework but excluded from the leverage ratio exposure measure as described in footnote 4 of the Basel Committee on Banking Supervision leverage ratio framework[6], no adjustment required for financial institutions subject to IFRS. |
| 4 and 5 | Adjustments related to derivative financial instruments and securities financing transactions (i.e. repos and other similar secured lending), respectively |
| 6 | Adjustments related to derivative financial instruments and securities financing transactions (i.e. repos and other similar secured lending), respectively |
| 7 | Any other adjustments |
| 8 | Leverage ratio exposure, which should be the sum of the previous items (should also be consistent with line 21 of Table 2 below) |

[6] The footnote mentions that: "Where a financial institution according to its operative accounting framework recognises fiduciary assets on the balance sheet, these assets can be excluded from the leverage ratio exposure measure provided that the assets meet the IAS 39 criteria for derecognition and, where applicable, IFRS 10 for deconsolidation. When disclosing the leverage ratio, financial institutions must also disclose the extent of such de-recognised fiduciary items as set out in Table 1 of the Annex".

**TABLE 2**

**Leverage ration common disclosure templace for D-SIFIs**[7]

Each row is explained in the explanation table shown immediately after Table 2. Explanations are taken from page 13 of the Basel Committee's leverage ratio framework.

| | | **Amounts** |
|---|---|---|
| | **On-balance sheet exposures** | |
| 1 | On-balance sheet items (excluding derivative and SFTs and granfathered securitization exposures but including collateral) | |
| 2 | (Asset amounts deducted in determining Basel III transitional Tier 1 capital) | |
| **3** | **Total on-balance sheet exposures excluding derivatives and SFTs (sum of lines 1 and 2)** | |
| | | |
| | **Derivative exposures** | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | |
| 6 | Gross up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | |
| 8 | (Exempted CCP-leg of client-cleared trade exposures) | |
| 9 | Adjusted effective notional amount of written credit derivatives | |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | |
| **11** | **Total – Derivative exposures (sum of lines 4 to 10)** | |

[7] Basel Committee on Banking Supervision. *Basel III leverage ratio framework and disclosure requirements*, page 12, lines 1 to 22, January 2014. http://www.bis.org/publ/bcbs270.pdf

| Securities financing transaction exposures | | |
|---|---|---|
| 12 | Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions | |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | |
| 14 | Counterparty credit risk (CCR) exposure for SFT assets | |
| 15 | Agent transaction exposures | |
| **16** | **Total – Securities financing transaction exposures (sum of lines 12 to 15)** | |

| Other off-balance sheet exposures | | |
|---|---|---|
| 17 | Off-balance sheet exposure at gross notional amount | |
| 18 | (Adjustments for conversion to credit equivalent amounts) | |
| **19** | **Off-balance sheet items (sum of lines 17 and 18)** | |

| Capital and total exposures – Transitional basis | | |
|---|---|---|
| **20** | Tier 1 Capital[8] | |
| **21** | **Total exposures (sum of lines 3, 11, 16 and 19)** | |

| Leverage ratio – Transitional basis | | |
|---|---|---|
| **22** | **Basel III leverage ratio** | |

| All-in (required by the AMF)[9] | | |
|---|---|---|
| **23** | **Tier 1 capital – All-in basis** | |
| 24 | (Regulatory adjustments) | |
| **25** | **Total - Exposures (sum of lines 21 and 24, less the amount reported in line 2) – All-in basis** | |
| **26** | **Leverage ratio – All-in basis** | |

8 Tier 1 capital corresponds to the sum of Tier 1A and Tier 1B capital.

9 Lines 23 to 26 are required for reporting periode up to the last quarter (Q4) of 2018.

D-SIFIs should not change the row numbering as indicated above to ensure that stakeholders can easily compare D-SIFIs across jurisdictions.

When a cell is empty, the row can be deleted, but should be left unchanged.

| Line | Explanation |
|---|---|
| 1 | On-balance sheet assets (excluding derivatives, SFTs and grandfathered exposures but including collateral) according to paragraph 15 of Annex 1-IV |
| 2 | Deductions from Basel III Tier 1 capital determined by paragraphs 9 and 16 of Annex 1-IV and excluded from the leverage ratio exposure measure, reported as negative amounts |
| 3 | Sum of lines 1 and 2 |
| 4 | Replacement cost (RC) associated with all derivatives transactions (including exposures resulting from transactions described in paragraph 28 of Annex 1-IV), net of cash variation margin received and with, where applicable, bilateral netting according to paragraphs 19 to 21.4 and 26 of Annex 1-IV |
| 5 | Add-on amount for all derivative exposures according to paragraphs 19 to 21.4 of Annex 1-IV |
| 6 | Grossed-up amount for collateral provided according to paragraph 24of Annex 1-IV |
| 7 | Deduction of receivables assets from cash variation margin provided in derivatives transactions according to paragraph 26 of Annex 1-IV, reported as negative amounts |
| 8 | Exempted trade exposures associated with the CCP leg of derivatives transactions resulting from client cleared transactions according to paragraph 27 of Annex 1-IV, reported as negative amounts. |
| 9 | Adjusted effective notional amount (i.e. the effective notional amount reduced by any negative change in fair value) for written credit derivatives according to paragraph 30 of Annex 1-IV |
| 10 | Adjusted effective notional offsets of written credit derivatives according to paragraph 30 and deducted add-on amounts relating to written credit derivatives according to paragraph 31 of Annex 1-IV, reported as negative amounts |
| 11 | Sum of lines 4 to 10. |
| 12 | Gross SFT assets recognised for accounting purposes with no recognition of any netting other than novation with QCCPs as set out in footnote of paragraph 33(i) of Annex 1-IV, removing certain securities received as determined by paragraph 33(i) of Annex 1-IV and adjusting for any sales accounting transactions as determined by paragraph 34 of Annex 1-IV |

| Line | Explanation |
|---|---|
| 13 | Cash payables and cash receivables of gross SFT assets netted according to paragraph 33(i) of Annex 1-IV, reported as negative amounts |
| 14 | Measure of counterparty credit risk for SFTs as determined by paragraph 33(ii) of Annex 1-IV |
| 15 | Agent transaction exposure amount determined according to paragraphs 35 to 37 of Annex 1-IV |
| 16 | Sum of lines 12 to 15 |
| 17 | Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors according to paragraphs 39 to 39.9 of Annex 1-IV |
| 18 | Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in paragraph 39 to 39.9 of Annex 1-IV |
| 19 | Sum of lines 17 and 18 |
| 20 | Tier 1 capital as determined by paragraph 10 of Annex 1-IV |
| 21 | Sum of lines 3, 11, 16 and 19 |
| 22 | Basel III leverage ratio according to paragraph 6 of Annex 1-IV (lines 20 and 21) |
| 23 | Tier 1 capital measured on an all-in basis, as described in Chapter 2 of the Guideline |
| 24 | Regulatory adjustments of Tier 1 capital measured on an all-in basis, in accordance with the Guideline, reported as negative amounts |
| 25 | Sum of lines 21 and 24, less the amount reported in line 2 |
| 26 | Leverage ratio measured on an all-in basis; ratio of the Tier 1 capital amount reported in line 23 to the total exposures amount reported in line 25 |

## ANNEX 2 DISCLOSURE TEMPLATE TO BE USED BY NON D-SIFIs

The templates shown below have been extracted from the Basel Committee's leverage ratio framework and from the Autorité's leverage ratio requirements as described in the Capital Adequacy Requirements and should be read in conjunction with these documents.

**TABLE 3**

**Leverage ratio disclosure template on all all-in basis included for Non-D-SIFIs [10]**

(Each row is explained in the explanation table shown immediately after Table 3. Explanations are taken from page 13 of the Basel Committee's leverage ratio framework).

| | | **Amounts** |
|---|---|---|
| | **On-balance sheet exposures** | |
| 1 | In-balance sheet items (excluding derivative and SFTs and granfathered securitization exposures but including collateral) | |
| 2 | (Asset amounts deducted in determining Basel III transitional Tier 1 capital) | |
| **3** | **Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2) | |

| | | |
|---|---|---|
| | **Derivative exposures** | |
| 4 | Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin) | |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | |
| 6 | Gross up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | |
| 8 | (Exempted CCP-leg of client-cleared trade exposures) | |
| 9 | Montant notionnel effectif ajusté des dérivés de crédit souscrits | |

[10] Basel Committee on Banking Supervision, *Basel III leverage ratio rramework and disclosure requirements*, page 12, lines 1 to 22, January 2014 (except for all-in capital for non D-SIFI financial institutions). http://www.bis.org/publ/bcbs270.pdf

| | | Amounts |
|---|---|---|
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | |
| **11** | **Total derivative exposures (sum of lines 4 to 10)** | |

| Securities financing transaction exposures | | |
|---|---|---|
| 12 | Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions | |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | |
| 14 | Counterparty credit risk (CCR) exposure for SFT assets | |
| 15 | Agent transaction exposures | |
| **16** | **Total securities financing transaction exposures (sum of lines 12 to 15)** | |

| Other off-balance sheet exposures | | |
|---|---|---|
| 17 | Off-balance sheet exposure at gross notional amount | |
| 18 | (Adjustments for conversion to credit equivalent amounts) | |
| **19** | **Off-balance sheet items (sum of lines 17 and 18)** | |

| Capital and total exposures | | |
|---|---|---|
| **20** | **Tier 1 capital** | |
| **21** | **Total - Expositions (somme des lignes 3, 11, 16 et 19)** | |

| Ratio de levier | | |
|---|---|---|
| **22** | **Ratio de levier de Bâle III** | |

The description of each row of Table 3 is taken from the Basel Committee's leverage ratio framework.

Non D-SIFIs should not change the row numbering described above to ensure that stakeholders can easily compare financial institutions.

Empty cells may be deleted, but the row number should be left unchanged.

| Row | Explanation |
|---|---|
| 1 | On-balance sheet assets (excluding derivatives, SFTs and grandfathered exposures but including collateral) according to paragraph 15 of Annex 1-IV |
| 2 | Deductions from Basel III Tier 1 capital determined by paragraphs 9 and 16 of Annex 1-IV and excluded from the leverage ratio exposure measure, reported as negative amounts |
| 3 | Sum of lines 1 and 2 |
| 4 | Replacement cost (RC) associated with all derivatives transactions (including exposures resulting from transactions described in paragraph 28 of Annex 1-IV), net of cash variation margin received and with, where applicable, bilateral netting according to paragraphs 19 to 21.4 and 26 of Annex 1-IV |
| 5 | Add-on amount for all derivative exposures according to paragraphs 19 to 21.4 of Annex 1-IV |
| 6 | Grossed-up amount for collateral provided according to paragraph 24 of Annex 1-IV |
| 7 | Deduction of receivables assets from cash variation margin provided in derivatives transactions according to paragraph 26 of Annex 1-IV, reported as negative amounts |
| 8 | Exempted trade exposures associated with the CCP leg of derivatives transactions resulting from client cleared transactions according to paragraph 27 of Annex 1-IV, reported as negative amounts |
| 9 | Adjusted effective notional amount (i.e. the effective notional amount reduced by any negative change in fair value) for written credit derivatives according to paragraph 30 of Annex 1-IV |
| 10 | Adjusted effective notional offsets of written credit derivatives according to paragraph 30 and deducted add-on amounts relating to written credit derivatives according to paragraph 31 of Annex 1-IV, reported as negative amounts |
| 11 | Sum of lines 4 to 10 |

| Row | Explanation |
|---|---|
| 12 | Gross SFT assets recognised for accounting purposes with no recognition of any netting other than novation with QCCPs as set out in footnote of paragraph 33 of Annex 1-IV removing certain securities received as determined by paragraph 33(i) of Annex 1-IV and adjusting for any sales accounting transactions as determined by paragraph 34 of Annex 1-IV |
| 13 | Cash payables and cash receivables of gross SFT assets netted according to paragraph 33(i) of Annex 1-IV, reported as negative amounts |
| 14 | Measure of counterparty credit risk for SFTs as determined by paragraph 33(ii) of Annex 1-IV |
| 15 | Agent transaction exposure amount determined according to paragraphs 35 to 37 of Annex 1-IV |
| 16 | Sum of lines 12 to 15 |
| 17 | Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors according to paragraphs 39 to 39.9 of Annex 1-IV |
| 18 | Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in paragraph 39 to 39.9 of Annex 1-IV |
| 19 | Sum of lines 17 and 18 |
| 20 | Tier 1 capital as measured on an all-in basis for non-D-SIFI institutions as determined by Chapter 2 of the Guideline |
| 21 | Sum of lines 3, 11, 16 and 19 |
| 22 | Basel III leverage ratio according to paragraph 6 of Annex 1-IV (lines 20 and 21) |