



## Reporting guidance for the Branch Return

### The Branch Return

#### Overview

All PRA-supervised branches of deposit-takers and designated investment firms which are not UK headquartered firms ('international banks') are required to report the Branch Return. This reporting guidance accompanies a new version of the Branch Return Form. Firms are required to use the new version of the form for the first time for their H1 2020 data with a due date of 9 August 2020.

"Branch" means a permanent establishment as defined for the purpose of UK taxation, that is an establishment having, and habitually exercising, general authority to negotiate and conclude contracts on behalf of its company. Where an establishment does not have such an authority, it should be regarded as an agent or agency of the company. This Branch Return applies the definition of a branch used by the Bank of England in its General Notes and Definitions for Statistical reporting, as updated from time to time.<sup>1</sup>

Returns should cover all branches in Great Britain and Northern Ireland. Branches in the Channel Islands and the Isle of Man should not be included in the returns.

#### Data elements

The data elements are referred to by row (r), column (c). In the excel representation of the Branch Return rows and columns and sheets represent the y and x axes respectively.

#### Units

All amounts should be reported in absolute non-truncated values. Absolute values may be reported to the nearest thousand. Where values correspond to percentages, these should be entered to two decimal places.

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<sup>1</sup> [https://www.bankofengland.co.uk/-/media/boe/files/statistics/data-collection/def\\_gene2014](https://www.bankofengland.co.uk/-/media/boe/files/statistics/data-collection/def_gene2014)



## Currency

Assets and liabilities should be reported on a Sterling equivalent basis using the exchange rate at the reporting date.

## Balance sheet concepts

In general, balance sheet concepts in the Branch Return are aligned with the FINREP reporting framework and reporters may refer to definitions contained within the EBA's Annex V to the Implementing Technical Standards on Supervisory Reporting. Further guidance may also be found in the EBA's published FINREP templates and the associated guidance for IFRS and National GAAP reporters.

The main area where this form uses non-FINREP concept for balance sheet items relates to deposits (Part 2 below) where it uses the PRA's concepts of "wholesale depositor", "smaller companies" and "transactional deposits" as used in the PRA's Supervisory Statement (SS)1/18 "International banks: the Prudential Regulation Authority's approach to branch authorisation and supervision"<sup>2</sup>.

## Grey cells

No data is to be reported in the cells shaded in grey.

## Validations

The Excel version of the template contains validations, which require certain cells to equal the sum of certain other cells. To allow for rounding, these validations permit a 1% margin of error. The formulae for these validations are set out in the validations tab of the Excel file. Cells failing these validations will turn red and will lead to submissions being rejected.

## General information

Branches should complete the following mandatory fields:

- the submission number – firms should enter '1' and increase this number by '1' in case of resubmission;

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<sup>2</sup> <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2018/ss118>



- the unique 'firm reference number' (FRN) of the firm
- the legal entity name of the firm;
- the reporting period end date. The Branch Return should be completed at end-June and end-December. Branches should report figures as at the last calendar day of the period;
- the accounting standard used. Use the drop down box to record the accounting standard used: IFRS, UK GAAP or Home State GAAP;
- the functional currency of the reporting firm. This is the currency the firm uses for accounting purposes.

### **Firm notes**

Firms may use the firm notes box to record any changes within the firm which have a highly material impact on the numbers reported in the period.

### **Part 1: Total Assets and Liabilities**

- **Total Assets and Total Liabilities (rows 010 and 080):** The Branch Return covers all the assets and liabilities of the branch. Except for row 150 of Part 1, this part does not capture assets, or liabilities which are originated by the branch but not booked to it. The sum of total sterling, euro, US dollar and other currency assets must equal the sum of total sterling, euro, US dollar and other currency liabilities. Total and currency breakdowns should be reported on a Sterling equivalent basis using the exchange rate at the reporting date. Values should be reported as per the reporters' accounting standard. Total assets and liabilities are required to balance.
- **Intragroup assets and liabilities (rows 011 and 081):** Business between affiliates (ie own offices) of the same corporate group including head office, other branch offices or subsidiaries.
- **Product breakdown:** For further guidance on the product breakdown requested for assets and liabilities (eg Loans and advances – row 030) firms should refer to the definitions contained within the EBA's Annex V to the



Implementing Technical Standards on Supervisory Reporting. This part aligns to FINREP template 1.1. For example, for a firm using IFRS, debt securities on the Branch Return (row 50) is equal to the sum of rows 080, 098, 120, 143 and 182 on FINREP 1.1

- **Repurchase agreements (row 082):** Firms are required to report the associated liabilities for repurchase agreements as defined in EBA's Annex V to the Implementing Technical Standards on Supervisory Reporting including FINREP table 15. Firms should report here the total amount of repurchase agreements, including any which are also included in Other Liabilities (row 130).
- **Memo item: Assets originated by UK branch but booked outside of UK (row 150):** report the value of assets for which UK branch employees are taking sales or trading credit for trading or lending but which are booked outside the UK branch, i.e. which are not considered to belong to the UK branch as defined for purposes of UK taxation. These assets will include those booked to the parent bank or another group company, including other group companies in the UK.
- **Memo item: Gross derivative assets (row 160):** Fair values should be reported for derivatives assets in line with the definitions contained within Annex V of the EBA's Implementing Technical Standards on Supervisory Reporting. Derivatives with a positive fair value (above zero) are "financial assets" and derivatives with a negative fair value (below zero) are "financial liabilities". The "carrying amount" should be reported separately here for derivatives with a positive fair value ("financial assets"). Carrying amounts should include derivatives for both trading and for hedging. For example row 40 should include derivatives with a positive balance for the reporting institution held for hedge accounting under IFRS. The value reported here should be consistent with values to the Bank of England for statistical purposes in form BT, i.e. Gross derivative assets (row 160) on the Branch Return = Total liabilities under contracts in financial derivatives (box 19BL on



form BT) - Net liabilities under contracts in financial derivatives (box 19B on form BT).

## Part 2: Deposits

- **Total deposits (row 010):** This is the sum of Wholesale Deposits (row 011), Smaller Companies (row 020) and Other deposits (i.e. Retail) (row 030).
- **Number of clients or customers (column 040):** Firms should report the number of unique clients or customers and not the number of open accounts.
- **Wholesale deposits – PRA definition (row 011):** Reporters should refer to the PRA's published definition of [wholesale depositor](#) on the Bank of England website. Where a depositor meets the criteria for a “smaller company” (see below), their deposits should be included in row 020 and not included in rows 011 to 016.
- **Sectoral breakdown and Smaller Companies (rows 012 to 16):** Definitions of Central Banks, General Governments Credit Institutions, Other Financial Corporations and Non-Financial Corporations are as per the Annex V to the EBA's Implementing Technical Standards on Supervisory Reporting. Depositors, which are corporates but not “smaller companies”, should be included in these rows.
- **Smaller Companies (row 020)** are as defined under section [382 of the Companies Act 2006](#) in line with PRA Supervisory Statement SS1/18. Reporters should refer to the Companies Act for the full definition, which may be updated from time to time. As of August 2019, the main criteria for qualifying as a small company are that depositors should meet two of the following three criteria:<sup>3</sup>
  - Turnover not more than £10.2m
  - Balance sheet total not more than £5.1m

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<sup>3</sup> As at end-December 2018



- Number of employees not more than 50

Deposits of smaller companies, which are subsidiaries of large companies, may be reported in row 16.

- **Large Companies (row 016)** are defined as Non-Financial Corporations which are not smaller companies as defined above.
- The frequency with which reporters review their categorisation of accounts between wholesale, smaller company and other (retail) must be fit for its purpose of enabling the PRA to monitor firms effectively against its risk appetite for retail activity to be undertaken in branches, as set out in SS1/18.
- **Of which held in transactional accounts (rows 021 and 031):** Row 21 is a subset of row 20 and row 31 is a subset of row 30. As set out in SS1/18, in general, the PRA starts from the understanding that an account, whilst it may have transactional functionality, is only considered a 'transactional account' if withdrawals from it have been made nine or more times within a three month period, but it may additionally consider other factors. Incoming (i.e. EEA passporting firms) may, alternatively, apply the definition of transactional account set out in Commission Delegated Regulation (EU) 2015/61 which is "where where salaries, income or transactions are regularly credited and debited respectively against that account" but only where this definition will identify a larger set out accounts than the definition based on the number of withdrawals.
- **Transactional accounts covered by FSCS (rows 021 and 031, column 020).** Where a client has both transactional and non-transactional accounts, this value should be calculated on the basis that transactional accounts under the FSCS limit are fully covered. For example, if a client has a transactional account of £100,000, the amount of transactional FSCS-covered deposits should be reported as £85,000 (based on the FSCS limit in 2019) regardless of how much the client holds in the non-transactional account.
- **Other deposits (i.e. Retail) (row 030):** For the purposes of the Branch Return, deposits are considered retail if they are not wholesale (row 016) or smaller company (row 020) as defined above. For the avoidance of doubt, the



term “retail” is defined here as a residual i.e. the set of deposits which are neither wholesale nor smaller company as defined above.

- **Memo item: Retail and smaller company deposits held in transactional accounts (row 040):** This is the sum of rows 021 and 031.
- **Memo item: Retail and smaller company deposits held in transactional or instant access accounts (row 050):** “Instant access accounts” means accounts from which customers can withdraw money unconditionally, without providing notice or paying penalties.
- **Memo item: Retail and smaller company accounts (row 060):** This is the sum of rows 020 and 030.
- **Memo item: Specific Accounts: Charities, charitable trusts, schools & colleges, religious establishments, UK local authorities (row 070):** This item requires reporters to identify deposits held by certain classes of UK depositor. Schools and Colleges can be identified SIC codes 85100 to 85422. A list of UK Charities is maintained on the Charities Register. The Office of National Statistics has published a list of local government entities in its Public Sector Classification Guide.

### **Part 3: Loans and advances other than held for trading**

This table is based on FINREP table 5.01 and reporters should refer to Annex V of the EBA’s Implementing Technical Standards on Supervisory Reporting for further guidance on definitions.

### **Part 4: Loan commitments, financial guarantees & other commitments given**

This table is based on FINREP table 9.01 and reporters should refer to Annex V of the EBA’s Implementing Technical Standards on Supervisory Reporting for further guidance on definitions of loan commitments, financial guarantees and other commitments given.



## Part 5: Derivatives

This table is based on FINREP table 10.00 and reporters should refer to Annex V of the EBA's Implementing Technical Standards on Supervisory Reporting for further guidance.

As noted above in Part 1, carrying amounts should be reported at fair values. Derivatives with a positive fair value (above zero) are "financial assets" and derivatives with a negative fair value (below zero) are "financial liabilities". The "carrying amount" shall be reported separately for derivatives with a positive fair value ("financial assets") and for those with a negative fair value ("financial liabilities").

Commodity derivatives should be reported under Other (row 060).

## Part 6: Payments, Settlement, Custody & Clearing

- **Payment, Settlement and Clearing Services (rows 010 to 040, columns 010 to 080):** The Branch Return for requires reporters to provide data on up to eight UK Financial Market Infrastructures (FMIs). A list of relevant firms is provided on the [Bank of England website](#). Where reporters use more than eight UK FMIs, firms should provide data on their eight which they judge to be most critical to their business.
- **Average transaction value (row 030):** For payments and settlement transactions this should be calculated as monthly average for the reporting period, i.e. the total value of transactions in the period divided by six. For centrally cleared transactions this should be reported as the average end-of-day gross value of outstanding transactions over the six-month reporting period. The PRA recognises that these measures may not be directly comparable between different FMIs. However, these measures, consistently defined, will permit the PRA to compare different reporters in respect of their activities with a particular FMI.



- **Assets under Custody – direct (row 090):** Firms should interpret assets under custody to mean “safe custody assets” in line with the FCA Handbook. Report the amount of custody assets that the branch is holding on a direct basis, i.e. held at the reporting firm.
- **Assets under Custody – indirect (row 100):** should interpret assets under custody to mean “safe custody assets” in line with the FCA Handbook. Report the amount of custody assets that the branch is holding on a sub-custodian basis.
- **Client Money Held (row 110):** Report the total amount of client money held, as calculated under FCA rules.
- **Assets under administration (row 120):** Report the total amount of assets under administration i.e. assets in relation to which services are provided to another party under a third party administration agreement (also referred to as “asset servicing”). Such assets are not held in custody by the administrator.
- **Funds under management (row 130):** Firms should use the appropriate definition of funds under management in the FCA Handbook.

## Part 7: 3<sup>rd</sup> Party Services Provided and Received

This should include material contracts that the firm has entered into with a third-party or with an intra-group entity, including under Service Level Agreements (SLAs), and covering IT systems, back office arrangements, Disaster Recovery, SWIFT housing, etc. Firms report on their ten most material 3<sup>rd</sup> party services provided and received. It is for reporters to determine what is most “material”.

- **3<sup>rd</sup> Party Services Provided:** provide details of all material services provided by the firm to the group and / or third parties.
- **3<sup>rd</sup> Party Services Received:** provide details of all material services provided to the firm by the group and / or third parties.



## **Part 8a and 8b: Intragroup Assets and Liabilities by Counterparty for systemic firms**

Only branches with over £15bn in total gross assets are required to report this section. For the purposes of this part, total gross assets is as defined in SS1/18, i.e. “in calculating this figure, the PRA will take account both of assets booked onto the balance sheet of the branch and assets traded or originated in the UK but booked remotely to another jurisdiction”. If the value of assets booked onto the balance sheet of the branch and assets traded or originated in the UK but booked remotely to another jurisdiction exceeds £15bn, firms should report this part.

This part requests further detail on the intragroup assets and liabilities figures which reporters provide in Part 1 Row 11 and Part 1 Row 81. For the avoidance of doubt, this part does not require firms to report on assets or liabilities which are not booked to the branch, as reported in row 150 of Part 1. Reporting firms are required to identify the five largest intragroup asset and liability exposures of the branch and report the counterparty name and carrying amount.

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