



Branch Return: Q&As

Version 3

January 2021

(Version 1 was published in July 2020, and Version 2 in October 2020)

The Prudential Regulation Authority (PRA) consulted on a proposal to change the format and content of the [Branch Return](#) in [Consultation Paper \(CP\) 8/19 'Supervising international banks: Revision of the Branch Return'](#) and, after reviewing responses and providing feedback, published the final template and associated reporting instructions in [Policy Statement \(PS\) 17/19 'Supervising international banks: Revision of the Branch Return'](#). The PRA has received a number of additional questions from firms regarding the template and reporting instructions.

The PRA has decided to publish answers to these questions (Q&As), where questions received highlight a need to clarify the reporting instructions or rules.

The material in this document does not constitute new PRA policy. Answers provide firms with options for meeting the PRA's expectations, but it is not a PRA expectation that firms must report in line with the answers.

The Q&A process may prompt the PRA to consider whether to amend the reporting instructions or rules in future, in which case, the PRA will consider proposals in accordance with its usual process.

Part 1: Total Assets and Liabilities

- 1. We propose to include Equity in Row 130 'Other Liabilities' to meet the requirement that total assets and liabilities must balance. Please indicate if this is not appropriate.**

Response: Yes, this is appropriate.

- 2. In Branch Return Form, Part 1: Total Assets and Liabilities, the validation of column D32 requires to be equal to column D25, which means total assets equal to total liabilities. The differences between total assets and liabilities are amount of equity. We've checked the Branch Return guidelines and EBA's Annex V, Annex III, but we couldn't find any instructions. Where shall we put the amount of equity listed on the form, or which subjects shall we put?**

Response: Equity should be included under other liabilities. Please note the PRA does not require branches to have their own equity, so the value of Row 130 'Other Liabilities' could in theory be zero.



3. **We propose to report FX derivatives in the currency of the notional receivable leg, consistent with our current reporting. Please indicate if this is not appropriate.**

Response: Please report the sterling equivalent as at the reporting date.

4. **Please confirm that issued Certificates of Deposit reported in Row 100 'Of Which: Certificates of Deposit' should include only those that are not negotiable, with negotiable Certificates of Deposit reported in Row 110 'Debt Securities Issued'.**

Response: Certificates of Deposit (CDs) are to be treated as debt securities as long as they are negotiable, and should be reported in Row 110. Non-negotiable CDs should be treated as deposits and reported in Rows 090 and 100.

5. **We hold significant hybrid instrument assets – individual transactions which are a combination of both loan funding and embedded derivatives. Please confirm under which asset category these hybrid instruments should be reported.**

Response: Please report as per FINREP guidance. Where the assets do not meet the FINREP criteria to be reported as either 'Loans and advances' or 'Derivatives', they should be reported as 'Other assets'.

6. **As there is not a specific 'Short Positions' category in the 'Liabilities' section of Part 1 we propose to report short securities positions under 'Other Liabilities'. Please confirm this is appropriate.**

Response: Yes, this is appropriate.

7. ***How should we report cross-currency swaps in the currency split of the Branch Return on 010 and 080 of Part 1? Is it necessary to disaggregate the two legs? This has the effect of making some columns in row 010 negative and, conversely, some columns in row 080 positive. Under this approach, the numbers will be volatile from reporting period to reporting period. Some banks are of the view they should report based upon the leg of the transaction giving rise to a positive PV (in row 010) or negative PV (in row 080) as that is the currency liability.***

Response: Please report the sterling equivalent of the net receivable or net payable leg.

Part 1: Memo item: Total Assets and Liabilities – Assets originated by UK branch but booked outside of UK (row 150)

8. **Are these assets recorded during the period of report or only those assets at the reporting date?**

Response: Firms should report a stock figure (rather than a flow figure), as of the reporting date.

9. **In either case are these to be reported on a cumulative basis so that the balance continues to grow?**



Response: As above, firms should report a stock figure.

- 10. What happens if the asset e.g. a loan was arranged for one year and this was repaid in that period so that at the period there was no new asset?**

Response: Such assets do not need to be included in Row 150.

- 11. Once the asset has been booked, and the salesperson/trader has received the revenue credit, the management of that asset generally resides in the other location/Parent bank. Should these assets be reported here?**

Response: Such assets should be reported in Row 150 if they continue to be risk managed in the UK.

- 12. What happens if the trader/salesman receives a credit for arranging a 'liability' eg a deposit in the Parent bank, for which a credit is assigned to the Branch salesman. Are these deducted from the assets to report net assets?**

Response: There is no need to deduct liabilities from the figure in Row 150.

- 13. Are Global book assets to be reported? Banks run global books eg FX options. A global book is where the positions are risk managed across different regions and time zones. The branch trader executes into a global book that is in the Parent bank legal entity but in the London time zones, the London Branch trader manages the risk and would receive a revenue share.**

Response: If these assets are not considered to belong to the UK branch (as per the definition in the reporting guidance for the Branch Return), they should be included in Row 150.

- 14. Do we need to report here all assets originated from the UK?**

Response: Firms should report here assets which are originated in the UK (and booked outside the UK branch) but which continue to be risk managed in the UK.

- 15. For wholesale traded assets originated in the UK branch but booked outside the UK, should this reflect activity with external clients only, or both external clients and group companies?**

Response: Firms should report here assets which reflect activity with both external clients and group companies.

Part 1: Memo item: Gross derivatives assets (row 160)

- 16. Please confirm that the value reported in Row 160 'Gross Derivatives Assets' should be the same value as that submitted on the London Branch Bank of England Form BT (combining box 19BL-19B on that form), or is the requirement only that it be calculated on a consistent basis?**



Response: We would expect the calculation method to be the same, and so the reported numbers will be the same in the BT and Branch Return, unless there are timing differences (ie different 'as of' dates).

Part 2: Deposits

17. Please confirm that the 'Total' value in Row 010 in this section should equal the Row 090 'Deposits' total on Part 1 'Total Assets and Liabilities' and should include intragroup balances.

Response: We do not require the 'Total' value in Row 010 to equal the Total on Part 1 'Total Assets and Liabilities'. Yes, 'Deposits' in Part 2 should include intragroup balances.

18. We report our negotiable certificates of deposit as debt issued, and do not have ready availability of data relating to the counterparty. Given your previous confirmation that we must report certificates of deposit under 'Deposits' in Part 1, please confirm that it is also required to report them under Part 2 'Deposits' with the associated counterparty split, as this will require significant manual work.

Response: Please exclude negotiable CDs from part 2, and only include non-negotiable CDs.

19. In the Branch Return Part 2, do you wish to see deposit values reported as principal only or as principal plus accrued interest, in order that the amounts should match exactly with the amounts covered under FSCS? If you wish us to report principal plus accrued interest, does this apply only to retail deposits, or would you expect us to apply the same principle to money market wholesale deposits?

Response: Please report the principal plus accrued interest for all deposit types (retail and wholesale).

Part 3: Loans and advances other than held for trading

20. Please confirm that the 'Loans and advances' Gross Carrying Amount in row 080 in this section should equal the total in Part 1 'Total Assets and Liabilities' row 030 'Loans and Advances' and should include intragroup balances.

Response: Part 1 'Total Assets and Liabilities' row 030 'Loans and Advances' should contain the Carrying Amount, so it would not necessarily be equal to the Gross Carrying Amount in row 080, column 005 of Part 3. Furthermore, Part 3 should only contain loans and advances not held for trading. Yes, both Part 1 row 030 'Loans and Advances' and the whole of part 3 should include intragroup balances.



21. In row 030 of part 1 I would include interest and provisions against loans (which is how we report under IFRS), whereas in line 080 of part 3 I would have thought it would just be the principal amount of the loans (as it says gross carrying amount). How should interest and impairment be treated in the report?

Response: Column 005 is the Gross Carrying Amount of the loans, and columns 010-060 are the Carrying Amount, broken down by sector. Therefore please report columns 010-060 as per part 1, and the loan principal in column 005. This table is based on FINREP table 5.01; please refer to the FINREP guidance for further information on how to complete Part 3.

22. May we assume that mortgage loans to households or non-financial corporations should be reported under 'Other term loans'? If so, we are not sure why Part 3, row 060, columns 050 and 060 are greyed out.

Response: Yes, please report mortgages under 'Other term loans' in column 005. In columns 050 and 060, please report mortgage loans in row 090 and row 091.

23. Validation rule BRv0011 indicates that row 080 is the sum of rows 010 to 070, but Part 3 row 010 columns 050 and 060 and Part 3 row 060 columns 050 and 060 are greyed out, as a result, we are not able to clear the validation errors in Part 3 row 080 columns 050 and 060.

Response: Validation rule BRv0011 only applies to column 005.

24. For the purpose of the Branch Return (row 100) does 'other collateral' include guarantees received against loans?

Response: This table is based on FINREP table 5.01; please refer to the FINREP guidance.

Part 5: Derivatives

25. Please confirm that the Row 010 'Total derivatives' Carrying amounts for 'Financial Assets Held for Trading' and 'Financial Liabilities Held for Trading' on this section should equal the Total Row 040 'Derivatives' (assets) and Row 120 'Derivatives' (liabilities) respectively on Part 1 'Total Assets and Liabilities'.

Response: Please report derivatives assets and liabilities that are held for trading in Part 5, following the guidance for FINREP table 10. The numbers in rows 040 and 120 of Part 1 can also include hedge accounting derivatives, so the numbers may not equal unless a firm only has derivatives held for trading.

26. FINREP template 10.00 requires firms to report Notional Amounts for Total Trading and of which Sold, but in the new Branch Return form template, the notional amount is required to split by Financial assets held for trading and Financial liabilities held for trading. Could you please clarify what we need to report?



Response: Columns 030 and 040 of part 5 of the Branch Return are not the same as columns 030 and 040 of FINREP template 10.00, and firms do not need to report 'Of which: sold' as in FINREP. In the Branch Return, please report the notional value of the derivatives reported under 'Carrying amount', i.e. column 030 is the notional value of the contracts reported at carrying value in column 010, and column 040 is the notional value of the contracts reported at carrying value in column 020.

- 27. FINREP derivatives reporting separates derivatives into those 'Held for Trading' (Form 10) and Hedging Derivatives (Form 11). Given the Branch Return does not make this distinction, we propose to report all derivatives under Part 5. Please confirm this is appropriate.**

Response: Please report derivatives assets and liabilities that are held for trading in Part 5, following the guidance for FINREP table 10, and exclude hedging derivatives.

Part 6: Payments, Settlements, Custody & Clearing

- 28. Please confirm whether a Financial Market Intermediary is defined as the corporate entity (such as London Clearing House) or its individual clearing services (such as SwapClear and RepoClear).**

Response: This is corporate entities (as with the previous version of the Branch Return published in PS8/15).

- 29. If we only have indirect payments, do we need to fill out D116/D117? Or do we not need to fill out this part?**

Response: Rows 020 and 030 should be completed.

- 30. Should the FMIs included in the 'eight UK Financial Market Infrastructures (FMIs)' data include any FMIs listed on the Bank of England website regardless of where the FMI is based, or is the requirement only to report for UK based FMIs?**

Response: We can confirm that the requirement is only to report for UK-based FMIs.

- 31. As per our business model we are the direct custodian of our client assets, but typically the assets are booked in our UK books and records but are then 'physically' held by our network of sub-custodians in various markets. Historically our assets under custody have been reported in the Branch Return as direct on the assumption that it needs to reflect the contractual basis with our clients (we are the custodian towards our client). Can you please confirm that current approach is correct or it should be reported as indirect (where the assets are physically held)?**

Response: In line with the Branch Return guidance, our preference is that assets not held at the reporting firm but at sub-custodians are reported as 'indirect'.



32. In row 030, when calculating the average transaction value for centrally cleared transactions, should we use notional values or Initial Margin?

Response: Firms should use notional values.

33. We settle FX trades on behalf of clients but not directly – we send the instructions to other entities who then instruct their agents. As we are two steps down the chain from the settlement service, should we include these trades in our figures in the Payment, Settlement and Clearing Services section of Part 6?

Response: Yes, please include these trades in the numbers, and report the agents with direct membership of the FMI in row 020.

Part 7: 3rd Party Services Provided and Received

34. If we put the description of the service in column 010, what goes in the column preceding it?

Response: Please put the type of service provided or received in that column, as illustrated in the example below.

Code	3rd Party Services Received from group and/or 3rd parties	Service Description	Service Provider
		010	020
010	Internal audit	Provision of internal audit services	Firm A
020	Trade processing	Transaction processing for the UK branch	Firm B