Form PL: Profit and Loss return

Main Form PL should cover all the income and expenditure of the reporting institution as well as some additional items needed for the compilation of the UK National Accounts. It is split into two sections: Part 1 covering all transactions and Part 2 covering transactions with non-residents only. The information obtained from this form is to be used primarily to provide aggregate information for the Monetary and Financial Institutions sector to the Office for National Statistics in calculating the UK's National Accounts and Balance of Payments. Except where otherwise stated, figures should be reported gross rather than net, and only for the period in question. Any adjustments to previous periods should be treated as revisions to those periods (see appendix). Most items on this form should be shown on an accruals basis, including discounts and premia on money market instruments and bonds. In the case of debt securities (bonds and FRNs under items 1D and 2D), accrued interest should be determined, if possible, by reference to the rate applicable at the point of issue ('the debtor approach'). Dividends received and paid (items 4, 17, 26 and 30) and non-dividend remitted earnings should be reported on a cash basis.

If any reporting institutions have queries or problems reporting any of the items on the Form PL then please do not hesitate to contact the Bank at ***DSDPLTeam@bankofengland.co.uk***. Guidance on query thresholds for Form PL are available by contacting the same email address. Please note these thresholds should be treated as guidelines only. Foreign currency items on Form PL must be translated into sterling, we acknowledge obtaining the exchange rate at the point that activity occurs may not be realistic. Average quarterly rates can be used and these rates are available from the Bank of England ***website***.

Each return covers data for three months only, i.e. for the quarter to end-March, June, September and December. Annual returns are for year to end-December.

PL item	Part 1
1	**Total interest receivable** *Include* a) Interest receivable classified by instrument. This is intended to be on a contractual basis as opposed to the effective yield basis outlined within International Financial Reporting Standards unless agreed otherwise in discussions with individual reporters. b) Any interest receivable on gold deposits within item 1B (loans and advances). Also *include* additional detail for interest receivable from loans and advances (item 1B) and repos (item 1C) by economic sector. See section III of the Classification of Accounts Guide. *Exclude* c) Interest received from interest rate swaps, which should be reported under dealing profits from derivatives (see Item 8C). Note: In the case of netting/pooling arrangements, if gross flows are available, they should be reported. If gross flows are not available and the netting occurs within the same economic sector, net flows can be reported. If gross flows are not available please allocate these to the most relevant sector, if you are unsure please contact the PL team to discuss. Examples: a) If there is a loan and a deposit from one customer and the interest is calculated gross, but charged net – interest should be reported on a gross basis. b) If there are credit and debit balances which either apply to customers in different economic sectors or are held in different countries, but which are pooled (either physically or notionally) for the calculation and posting of interest – if gross flows are not available, you should allocate the net amount to the sector you believe is most appropriate. As per Statistical Notice 2015/02 from Q2 2015 there is no special treatment for negative interest which can be reported as a negative amount in the relevant PL item.

1A	**Interest receivable on money market instruments** *Include* a) All interest receivable on money market instruments included in BT items 23E, 23F, 23GA, 23GC, 23J and 23L and any other short-term paper with an original maturity of less than one year, embracing all income from certificates of deposit, promissory notes, commercial paper and other short-term negotiable paper. b) Any interest or discount receivable on bills (BT item 26), except where such interest relates to bills held in respect of ECGD guaranteed lending (also see item 1B below). c) Any interest accruing over the reporting period in respect of short-term deep discount and zero-coupon instruments – please also see General Notes and Definitions; item 7(b) (vi). d) Any interest accruing on money market instruments lent under repurchase transactions. You should continue to accrue this interest while under such arrangements, regardless of when the coupon interest will be paid and whether this has been factored into the original repo price.
1B	**Interest receivable on loans and advances (excluding under repo agreements)** *Include* a) Any loans and advances denominated in gold. b) Interest debited in respect of loans and overdrafts on accounts (BT item 29). c) Interest from balances with banks, building societies or other monetary financial institutions (BT items 23D, 23GB, 23H and 23K). d) All interest receipts, including those from bills held, in respect of ECGD 'scheme lending' for exports (BT item 27). *Include* here any subsidies received (net of any payments). Any interest or implicit charges received on finance leases (within 1BN). A financial lease is a lease that transfers substantially all the risks and ownership of an asset to a lessee. In this sort of lease, rentals will normally be calculated to allow the lessor to recover the cost of the asset and to make a profit over the

	period of the lease. Hire purchase arrangements and the provision of operational leasing facilities are NOT regarded as financial leases.
1BEA-D	**Breakdown of interest receivable on loans and advances to other financial corporations** Provide breakdown into insurance companies and pension funds, investment and unit trusts, financial auxiliaries and captive financial institutions. The classification system used is set out in sections III.3(e), III.3(c), III.3(h) and III.3(i) of the Classification of Accounts Guide and is based upon the Standard Industrial Classification 2007 (or SIC 2007). This, in turn, is based upon NACE Revision Two, the European industrial classification system. It is used in completing the AD and AL forms (but *excludes* the public sector).
1BED	**Of which captive financial institutions** **Reporting of PL1BED and PL1BJE are optional until Q1 2019 reporting.** A separate breakdown of captive financial institutions is required from Q1 2019. All holding companies along with some special purpose entities (SPEs) are treated as captive financial institutions. The following guidelines come from the European Systems of Accounts Manual. *Captive financial institutions and money lenders subsector consists of all financial corporations and quasi-corporations which are neither engaged in financial intermediation nor in providing financial auxiliary services, and where most of either their assets or their liabilities are not transacted on open markets.* *In particular, the following financial corporations and quasi-corporations are classified as captive financial institutions:* *a) units as legal entities such as trusts, estates, agencies accounts or 'brass plate' companies;* *b) holding companies that hold controlling-levels of equity of a group of subsidiary corporations and whose principal activity is owning the group without providing any other service to the businesses in which the equity is held, that is, they do not administer or manage other units;*

	c) *SPEs that qualify as institutional units and raise funds in open markets to be used by their parent corporation;* d) *units which provide financial services exclusively with own funds, or funds provided by a sponsor, to a range of clients and incur the financial risk of the debtor defaulting. Examples are money lenders, corporations engaged in lending to students or for foreign trade from funds received from a sponsor such as a government unit or a non-profit institution, and pawnshops that predominantly engage in lending;* e) *special purpose government funds, usually called sovereign wealth funds, if classified as financial corporations.* Previous guidance on other forms had allowed reporting institutions to report holding companies of PNFCs as a PNFC, therefore, so as not to contradict previous guidance we have introduced a holding companies breakdown under both OFCs and PNFCs. Reporting institutions therefore have the option of how they prefer to report, however, whichever approach is taken, we require reporting to be consistent across all statistical forms. Further information on how to identify captive financial institutions is available under 'Frequently Asked Questions on Reporting': ***Form PL and BG reporting FAQs (bankofengland.co.uk)***.
1BJD	**Of which real estate** This item comprises any interest receivable on lending for property that is used solely for business purposes. Real estate is defined as SIC 68.1, 68.2 and 68.3.
1BKA	**Interest receivable on loans and advances to unincorporated businesses other than unlimited liability partnerships** See section III.8(b) of the Classification of Accounts Guide.
1BKB	**Interest receivable on bridging finance** *Include* bridging mortgage loans to individuals and individual trusts.
1BKC	**Interest receivable on loans secured on dwellings**

	This item comprises mortgage loans to individuals and individual trusts, except bridging finance (to be placed in item 1BKB). *Include* a) Flexible mortgage products (see notes to Form IS for definition). b) Loans for home improvements, house repairs and maintenance where they are also secured by a first charge over the property. c) Mortgage sub-participants, where they are fully and specifically secured against residential mortgage loans. Mortgage sub-participation is where one reporting institution undertakes a mortgage and then shares the debt/risk with another institution. Each party in this loan should report their own share in a similar manner to the treatment of a syndicated loan. d) Mortgage loans secured on property where the occupier works at home but no structural alterations are required to return the property to full residential use. *Exclude* **The mortgage loan if any part of the property is used for non-residential purposes and structural alterations are required to return the property to full residential use (*enter* in item 1BKE).** This item comprises mortgage loans to individuals and individual trusts, except bridging finance (to be placed in item 1BKB).
1BKD	**Interest receivable on credit card lending** *Include* 'charge card' lending (even if the outstanding balance has to be paid off in full at the end of each charging period).
1BKE	**Interest receivable on other loans to individuals** *Include* a) All loans and advances to individuals not listed in 1BKA-D b) All overdrafts outstanding (overdrafts comprise of debit balances on accounts which, if in credit, would be classed as deposits).

	The mortgage loan, if any part of the property is used for non-residential purposes and structural alterations are required to return the property to full residential use.
1BL	**Interest receivable on loans to non-profit institutions** Non-profit institutions *include* non-profit organisations that provide goods or services to households (i.e. the general public) and are funded predominantly by voluntary contributions from households, government grants and income from property. This sector *includes:* a) Charities, relied and aid organisations financed by voluntary transfers in cash or in kind from other institutional units b) Universities c) Trade unions d) Political parties e) Churches or religious societies f) Social, cultural, recreational and sports clubs
1BMA	**Interest receivable on loans and advances to, or balances with, non-resident deposit taking corporations** The definition for deposit taking corporations covers non-resident offices of reporting institutions, central monetary institutions and other non-resident deposit taking corporations, and is as defined in Section III.10a of the Classification of Accounts Guide.
1BMAA	**Of which – intra-group** *Include* interest from balances which relate to intra-group non-resident deposit taking corporations (BN item 23KG).
1BN	**Interest receivable on finance leasing** *Include* any interest or implicit charges received on finance leases. A financial lease is a lease that transfers substantially all the risks and ownership of an asset to a lessee. In this sort of lease, rentals will normally be calculated to allow the lessor to recover the cost of the asset and to make a profit over the

	period of the lease. Hire purchase arrangements and the provision of operational leasing facilities are NOT regarded as financial leases.
1C	**Interest receivable on repos / reverse repos** Refer to the appendix for further details on the treatment of repos. Repo interest refers to interest from both repo and buy/sell back repo trading. *Include* fees receivable under security for security reverse transactions and gold lending/swaps. *Include* in this line any income receivable on reverse transactions whether it is a repo or a reverse repo transaction deal i.e. interest should be split between 1C and 2C based on the direction of payment rather than product type. This should *include* coupon interest received on securities borrowed under reverse transactions only if this is factored into the price of the repo. Interest receivable should be recorded gross of any interest paid on margins. Interest receivable on repos / reverse repos should also be shown by economic sector (see definitions under interest receivable on loans and advances – item 1B).
1D	**Interest receivable on bonds and FRNs** *Include* a) All interest receivable on bonds, FRNs and other instruments (i.e. all debt instruments other than those included under item 1A above). b) Both the value of any coupon receipts and part of the discount that unwinds during the period under review, if a bond is issued at discount (or premium) from its nominal (the ‘debtor approach’ stated under ESA10). However, if accruals based on the discount at issue are not known, instead *include* accruals based on the discount at the time of the acquisition. c) Income receivable on non-participating preference shares. d) Any interest accruing on bonds/FRNs lent under repurchase transactions. You should continue to accrue this interest while under such arrangements, regardless of whether the coupon interest has been factored into the original repo price.

	Exclude e) Dealing profits/losses (to be placed in item 8B).
2	**Total interest payable** *Include* a) Interest payable classified by instrument. This is intended to be on a contractual basis as opposed to the effective yield basis outlined within International Financial Reporting Standards. b) Any interest payable on gold deposits. *Exclude* c) Any interest passed on to other participants in a syndicated loan. d) Interest paid relating to interest rate swaps, which should be reported under dealing profits from derivatives (Item 8C), as a negative entry. Also *include* additional detail for interest payable on deposits (item 2B) and repos (item 2C) by economic sector. See section III of the Classification of Accounts Guide.
	Reporting of PL2BED and PL2BJA are optional until Q1 2019 reporting. A separate breakdown of captive financial institutions is required from Q1 2019 reporting. Please see guidance on PL1BED for how OFC and PNFC captive financial institutions should be distinguished.
2A	**Interest payable on money market instruments** *Include* all interest payable on money market instruments included in BT items 4 and 5A and any other short-term paper with an original maturity of less than one year, embracing all income from certificates of deposit, promissory notes, commercial paper and other short-term negotiable paper. See also General Notes and Definitions, item 7(b) (vi). Note that there is no split for interest payable on money market instruments to non-residents.
2B	**Interest payable on deposits (excluding under repo agreements)** *Include* a) Any deposits denominated in gold.

	b) Interest payable on deposit liabilities included under items 2 and 3 on Form BT. c) Finance charges on finance leases (within 2BN). Interest payable on deposits should be shown by economic sector (see definitions under interest receivable on loans and advances – item 1B).
2C	**Interest payable on repos / reverse repos** Refer to the appendix for further details on the treatment of repos. Repo interest refers to interest from both repo and buy / sell back repo trading. *Include* fees payable under security for security reverse transactions and gold lending/swaps. *Include* in this line any income payable on reverse transactions whether it is a repo or a reverse repo transaction deal i.e. interest should be split between 1C and 2C based on the direction of payment rather than product type. Interest payable should be recorded gross of any interest received on margins. This should *include* any coupon interest/dividends due on the security and payable to the security borrower if this has been factored into the original price of the repo. Interest payable on repos/reverse repos should also be shown by economic sector (see definitions under interest receivable on loans and advances – item 1B).
2D	**Interest payable on bonds and FRNs** *Include* a) All interest payable on bonds, FRNs and other instruments (i.e. all debt instruments other than those included under item 2A above). b) Both the value of any coupon receipts and part of the discount that unwinds during the period under review, if a bond is issued at discount (or premium) from its nominal (the ‘debtor approach’ stated under ESA 10). c) Income payable on non-participating preference shares. *Exclude* d) Dealing profits / losses (to be placed in item 8). e) Manufactured interest payable on bonds and FRNs under repurchase or short selling arrangements. This should not be reported anywhere on the

	Form PL as the original beneficial owner of the security should continue to accrue the interest receivable while under repurchase or short selling agreements. Note that there is no split for interest payable on bonds and FRNs to non-residents.
3	**Net interest income** Total interest receivable (item 1) less total interest payable (item 2) for all currencies.
4	**Dividends received** *Enter* the value of dividends received during the period (this should also *include* the cash value of any scrip issues). *Include* all dividends received on equity. *Exclude* a) Income received from non-participating preference shares (this should be reported as interest receivable on bonds and FRNs in PL item 1D). b) Dealing profits / losses (item 8). c) Exceptional dividend receipts that are made out of accumulated reserves, withdrawal of assets on event of dissolution of a branch or subsidiary or sales of assets. Such exceptional payments, sometimes called super dividends should be treated as a withdrawal of equity rather than a dividend received. Figures should be reported gross of tax and on a cash basis.
4B	**Of which – received from collective investment schemes** *Enter* the value of dividends received during the period from investments in collective investment schemes. The definition of these instruments is consistent across Bank of England statistical forms; further information is given on page 17 in Part III of the Classification of Accounts Guide. For reporting of PL4BA, whilst this item is mandatory, we are pragmatic and ask money market funds to be reported where identifiable, if institutions face problems in identifying dividends receivable from money market funds, please contact ***DSDPLTeam@bankofengland.co.uk*** to discuss.
5	**Fees and commissions receivable**

	Reporting institutions should report receipts on a gross basis; only those unable to ascertain gross figures should report on a net basis. It is acceptable to report here on an amortised basis, as opposed to a contractual basis, as outlined within International Financial Reporting Standards. Total fees and commissions receivable from non-residents should be separately identified in item 5A, which should be equal to PL27. The product breakdown of fees and commissions requested from item 5B-5J should add to the total of item 5, i.e. *include* transactions with all counter parties (including non-residents). Sector definitions for private non-financial corporations (items 5FA, 5GA and 5HA) and households (items 5FB, 5GB and 5HB) are as listed in section III of the Classification of Accounts Guide.
5B	**Investment banking, advisory, brokerage and underwriting** *Include* a) Fees and commissions from underwriting (or participation in the underwriting of) securities, private placements of securities, investment advisory and management services, merger and acquisition services and related consulting fees. b) Fees from brokerage activities, from the sale and servicing of mutual funds, and from the purchase and sale of securities, derivatives and money market instruments, where the reporting institution is acting as agent for other institutions or customers.
5D	**Insurance** Report income from insurance agency and brokerage operations (*includes* sales of annuities and supplemental contracts) and service charges, commissions and fees from the sale of insurance and related services.
5F	**Loans and advances** All fees related to mortgages should also be *included* in the mortgage fees breakdown (PL5FBA). All mortgage fees including reservation fees, early

	redemption fees, switching fees or any ongoing servicing fees should be *included*. *Include* income earned from fees and commissions related to lending. This does not include fees on credit cards (place in item 5J). All fees related to fees on unsecured personal loans should also be *included* in the unsecured personal loans breakdown (PL5FBB). Any fees related to loans and advances to real estate firms (SIC 68.1, 68.2, 68.3) should be *included* in PL5FA. *Include* any explicit fees receivable on finance leases.
5G	**Current account services** *Include* charges for both current accounts and overdraft facilities. Charges for current accounts should *include* all fees charged on current accounts and accounts of similar nature, even if the account is not specifically called by that name. Full guidance on the definition of a current account for PL reporting can be found in the appendix. Please *include* household overdraft charges separately in PL5GBA.
5J	**Credit card fees** *Include* all charges for credit cards received from customer accounts (i.e. excluding those received from merchants). Please *include* credit card subscription charges as well as fees for particular services, such as late payment, cash withdrawal or balance transfers.
5H	**Other** Any fees and commissions not included in the above. A further breakdown into private non-financial corporations and households is provided.
6	**Fees and commissions payable** Please *include* all fees and commissions payable for services: this should *include* professional fees, fees relating to operating services e.g. cleaning, as well as fees relating to financial services consumed. Reporting institutions should report payments on a gross basis; only those unable to ascertain gross figures should report on a net basis. It is acceptable to report here on an

	amortised basis, as opposed to a contractual basis, as outlined within International Financial Reporting Standards. *Include* any explicit fees payable on finance leases.
7	**Net fees and commissions** Fees and commissions receivable (item 5) minus payable (item 6).
8	**Dealing profits** *Include* all profits or losses (including revaluation profits or losses) arising from the purchase, sale and holdings of tradable instruments. We would expect both realised and unrealised profits and losses to be recorded under dealing profits. For example, if a tradable bond is not traded but changes in value this should be recorded within dealing profits. Items are to be reported net on a marked-to-market basis, as at the end of the reporting period (31 March, 30 June, 30 September or 31 December). *Exclude* any interest or dividends earned from these instruments, where they are already reported under items 1 or 4 respectively. *Exclude* fees on these instruments, where identifiable these should already be reported under items 5 and 6. *Exclude* dividends paid on short sales (manufactured dividends). These should be reported in item 17B. Unrealised gains and losses from the purchase of own debt should not be included on the Form PL. Only realised profits and losses from repurchasing own debt should be *included* within item 8. Where transactions between group entities occur, these should be shown at market value or estimated market value if necessary. Refer to the appendix for further details of the treatment of transfer pricing. Total dealing profits or losses should be reported in item 8 and where appropriate the amount attributable to dealing profits or losses on securities, foreign exchange and derivatives should be attributed to 8A, 8B and 8C respectively. These items are recorded as an “of which” under item 8; any other amounts should be reported within 8D so that the sum of items 8A, 8B, 8C and

	8D equals the total in item 8. Revaluation effects of foreign currency elements should be reported against the breakdown item they refer to. For example, revaluation effects of securities should be reported in PL8B, for derivatives this is PL8C and loans it is PL8D. Revaluations of provisions on loans should be reported in PL20AF.
8T	**Of which – earned on the trading book** *Enter* here all profits / losses from the trading book. The definition of 'trading book' may differ across institutions and therefore we are happy to accept any of the following definitions for the purpose of PL reporting: a) The trading book of a firm consists of all its positions in Capital Requirements Directive (CRD) financial instruments and commodities held with either trading intent, or in order to hedge other elements of the trading book. These are either free of any restrictive covenants on their tradability, or able to be hedged. b) All assets that are identified as available for sale (excluding those that are intended to be held to maturity). If you are not able to follow one of the definitions above please contact us to discuss another suitable measure. We are content for PL8T to be reported on a best endeavours basis.
8A	**Foreign exchange** *Enter* here all profits / losses from spot purchases / sales of foreign currencies. This figure should be reported net. *Exclude* here any FX products that would be reported on the DQ; these should be reported in 8C.
8B	**Securities** *Enter* here all profits and losses (both realised and unrealised) from the trading/holding of securities. Securities *include* all equity and short and long-term debt instruments. These *include* all shares (including preference shares, bonds, gilts, commercial paper, certificates of deposit and all other debt instruments. Tradable loans should not be included here and should be

	captured in PL8D. Where a security has an embedded derivative, please endeavour to treat the profits and losses on these elements as separate entities though we realise this may not always be possible. In this instance please treat the movement in dealing profits in the element (security or derivatives) which has driven the dealing profit or loss. This figure should be reported net. *Include* any revaluation effects related to securities.
8C	**Derivatives** *Enter* here all profits and losses (both realised and unrealised) from the trading/holding of derivatives. This figure should be reported net. *Include* here all items currently reported on the DQ form including those relating to foreign exchange. This *includes* all foreign exchange products other than spot transactions, interest rate products, commodity and equity derivatives and credit derivatives. All derivatives should be reported here regardless of the nature of the underlying asset. *Include* any revaluation effects related to derivatives.
8AA/ 8BA/8CA	**Of which – net spread earnings** Net spread earnings (NSE) are a measurement of service income (value added) from dealing activities; this is identified as the difference between the price paid/offered by a PL reporter and the price available in the open market (mid-market price[1]). This should capture the difference between the sale/purchase price and the mid-market price at the time of the transaction. *Spread Earning on a trade = Difference between bid (buy)/offer (sale) price and mid-market price* We would expect you to record the net of spread earnings received and paid in this line: *Net Spread Earnings = Gross Spread Earnings received – Gross Spread Earnings paid*

[1] **Mid-market price**: the midpoint of the best bid and the best offer quoted by market makers. This represents the "best" average price available in the market.

Dealers or market-makers in financial instruments may charge, in full or part, for their services by having a spread between their buying and selling prices. The NSE on a transaction represents the implicit margin charge, for financial services, earned by accepting a bid/offer price different to that available in the open market. It is sometimes referred to as the day 1 profit and loss on a trade.

Net spread earnings feed directly into the Monetary Financial Institutions' contribution to GDP as well as the UK's Balance of Payments and it is therefore vital to measure this item accurately. Net spread earnings reflect the 'output/service' (value added) created by financial institutions through dealing activities.

The current methodologies for calculating net spread earnings on transactions are:

1) The direct capture method: this is the difference between the sale/purchase price and the "mid-market" price for all transactions as it directly captures the spread on all transactions. This margin multiplied by the volume traded gives the NSE on the transaction.
2) It is understood that management records may not collect the mid-market price but some MFIs do record the price at which their Treasury unit does a deal with their sales unit; in this case this "trader's price" (the price quoted to the trader by their Treasury unit) is used as an approximation for the mid-market price. This method assumes the price available to the Treasury unit, and thus quoted to the Trader, reflects easier access of the MFI to the markets and is thus an estimate of the "mid-market price" on which a margin may be applied.
3) Finally, where MFIs are unable to determine a mid-market price on the above two bases we ask they estimate their net spread earnings based on appropriate management information. By this we specifically mean information that aims to measure the contribution of sales activity in the trading business. We accept methods of estimation based on these data provided that MFIs use these figures internally for management accounting purposes - for example sales margin amounts used as a guide for remuneration purposes.

	Net spread earnings should be reported for foreign exchange (item 8AA), securities (item 8BA) and derivatives (item 8CA). Derivatives (item 8CA) need only be reported by institutions which are likely to generate over £25mn a quarter. If institutions are not able to report on the above basis and need to discuss their reporting methodology, they should contact the Bank at ***DSDPLTeam@bankofengland.co.uk***.
8D	**Other dealing profits** *Enter* here any other profits / losses made arising from the purchase, sale and holdings, of tradable instruments not included within the 8A, B or C above. This should *include*, for example, any profits/losses on tradable loans.
9	**Other operating income**
9A	**Total rents receivable** *Include* here rents received on land and buildings. To be reported gross (rental expenses should be reported in item 12BAA).
9D	**Other operating income** All items of other operating income not covered in 9A above excluding any intra-group income *included* in 9E. Please do not include holding gains or losses, income on exceptional activity or income received on the provision of a service. Please consult with the PL team on what you are reporting here.
9E	**Intra-group transfer pricing income** *Enter* the income element from intra-group transfer pricing / management recharges. This is the service income received by the UK reporting institution from another UK group entity or non-resident subsidiaries, group-companies or associates. Transfer pricing income should only *include* receipts in relation to services provided to other group entities. All non-service related profit transfers should be *excluded*.

	Intra-group transfer pricing income, including that from non-residents, should be appropriately allocated between fees and cost recharges and other intra-group income, in item 9EB and 9EC respectively. The category breakdown of transfer pricing income in items 9EB and 9EC should sum to 9E. Please refer to the appendix for further details of the categorisation of transfer pricing as fees and cost recharges. A further breakdown of item 9EA is required in item 34.
10	**Total non-interest income** SUM of dividend income (item 4), net fees and commissions (item 7), dealing profits (item 8) and other operating income (item 9).
11	**Operating income** SUM of net interest income (item 3) and total non-interest income (item 10).
12	**Operating expenditure** Please ensure that expenditure is reported when the service is provided or when the exchange of goods takes place. We realise that some expenditure reported through statutory accounts is a provision for future expenditure: these should not be reported on the PL. This is because most of these data feed into the UK National Accounts, which reflects the activity of the economy when it takes place.
12A	**Administrative expenses: staff costs** Remuneration of employees either in cash or in kind, in the period. In line with International Financial Reporting Standards, software development costs should be capitalised and therefore *excluded* from staff costs.
12AA	**Wages and salaries**
12AAA	**Of which – regular wages and salaries and one-off bonuses** Regular compensation payable to all employees including overtime payments, commissions and any other cash benefit payments. Also *include* any one-off bonuses that relate to a specific piece of work or performance in the current period. One-off bonuses could *include* any other non-regular bonus or cash remuneration paid to employees that is not part of the annual bonus accrual.

	Golden handcuffs that reflect a bonus for remaining with a company over a contractually agreed period of time should be accrued across the life of the agreement. Where the contract is broken (i.e. where the employee leaves within the agreed time period) accruals recorded in previous quarters should be reported as a positive write-on within other exceptional and extraordinary items (PL14D). Where shares are offered as part of regular wages and salaries and one-off bonuses the monetary value of these should also be *included* in this item. Sick pay, maternity pay and other similar pay to employees in circumstances where they are not at work should be *included* in this item. *Exclude* a) Annual bonus accruals. b) Employers' National Insurance contributions. c) Employers' contribution to pension and welfare schemes. d) Redundancy and severance payments. e) Payments to a working proprietor, partners and executive directors not in receipt of a regular salary, fee or commission. f) Payments to staffing agencies for services of staff employed by them. g) Employee stock options.
12AAB	**Of which – annual bonus accruals** Annual bonuses should be reported on an accrued basis for each quarter. Bonuses should be accrued in the year to which they relate regardless of whether they will be deferred or not e.g. a bonus earned during 2016 should be reported within bonus accruals during 2016, even if it is not due to be paid until 2019. If bonus amounts are adjusted from one quarter to the next within the same calendar year then these adjustments can be *entered* within the current quarter rather than revising previous periods. If later adjustments are made to bonus amounts earned during a previous year then please discuss the reporting of these adjustments with us before submitting your PL return. Unlike other items reported in PL12, this can be reported as a negative figure. The claw back of bonuses already paid should be reported within PL item 14D as an exceptional item.
12AAC	**Of which – employee stock options**

	Enter the accrued quarterly expenditure on employee stock options (ESOs) that constitutes compensation of employees. The reporting of employee stock options depends on the type of scheme available. The different possible schemes are outlined in the appendix.
12AAD	**Of which – other remunerations** *Include* any other type of remuneration that forms part of compensation of employees that is not already included within any of the other breakdown items above.
12AB	**Pension contributions** Employers' contributions to pension funds (including lump sum contributions). Employers' pension contributions should represent actual amounts rather than notional values.
12AC	**Other social contributions** Social contributions are payments made to individuals, in cash or in kind, attempting to relieve them from the financial burden of a number of risks or needs. *Include* in this item social benefits not included in items 12AA-AB or 12AD-12AG paid in connection with sickness, invalidity, occupational accident or disease, old age, death in service, survivors, maternity, family, promotion of employment, unemployment, housing, education and general neediness.
12AD	**Employers' NI contributions** *Includes* rebates from the National Insurance Redundancy Fund.
12AE	**Redundancy and severance payments** *Include* Golden Handshakes. *Exclude* Accrued holiday pay. *Include* only expenditure of actual expenditure; *exclude* any provisions for expected expenditure.
12AF	**Benefits in kind – expenditure items** *Include*

	Items where the cost is separately identifiable and would normally fall within expenditure, such as staff canteens, luncheon vouchers, sports club membership, nurseries, health care and staff savings schemes that do not form part of employee stock options (for employee stock options see the appendix). The basis for this figure is the cost to the reporting institution rather than a measure of the benefit to the employee.
12AG	**Other staff costs** Any other form of staff cost not included in 12AA-AF above.
12B	**Administrative expenses: other** Items *included* in operating expenses that *exclude* staff costs (12A) and depreciation (12C).
12BA	**Occupancy costs** *Include* here costs relating to land and other buildings, such as rent, non-domestic rates and energy costs. Also *include* any costs relating to moving or vacating buildings.
12BAA	**Of which – rents** *Include* rents payable on land, rentals paid on buildings and other dwellings. To be reported gross (rental income should be reported in item 9A).
12BD	**Other expenditure** *Include* any items of other administrative expenses not included in items 12BA above excluding any intra-group expenses included in 12D. Items should only be reported as expenditure if they represent payments for goods rather than services. For example, if the payment is for a service e.g. cleaning services then this should be reported within fees, but if the payment relates to the cost of cleaning materials then this should be reported here within other expenditure. Please contact us if you are unsure as to whether a payment should be reported as a fee or expenditure.
12BDD	**Of which – non-life insurance premiums**

	The premiums payable to provide cover against various events or accidents resulting in damage to goods or property, or harm to persons as a result of natural or human causes (fires, floods, crashes, collisions, sinkings, theft, violence, accidents, sickness, etc.) or against financial losses resulting from events such as sickness, unemployment, accidents, etc.
12BDF	**Of which – computer and related services** *Include* service costs related to the installation, maintenance, development and upgrading of IT systems as well as consultancy and training related to IT systems. Purchases of non-bespoke software licensed for perpetual use should be *excluded* if the medium of delivery is a physical storage device (such as a CD-ROM). All other expenses for the outright purchase or licensing of software should be *included*. All expenses for the external hosting or outsourcing of IT functions should be *included*. *Exclude* purchases of hardware Please *include* the amount of expenditure payable to non-residents for computer and related services in item PL12BDFA.
12C	**Depreciation** The amount of fixed assets depreciation, during the period of consideration, as a result of normal wear and tear and foreseeable obsolescence.
12CA	**Of which – depreciation of fixed assets** *Enter* the amount of depreciation as a result of normal wear and tear and foreseeable obsolescence of all fixed assets. Property revaluations should not be included in this item. Please *include* revaluations of this kind in PL14C (see below).
12D	**Intra-group transfer pricing expenses** *Enter* the expenditure element from intra-group transfer pricing / management recharges. These are costs paid by the UK reporting institution to another UK entity within the same group or non-resident subsidiaries, group-companies or

	associates. Transfer pricing expenditure should only *include* payments in relation to services provided by other group entities. Intra-group transfer pricing expenditure, including that with non-residents, should be appropriately allocated between fees and cost recharges and other intra-group expenditure, in item 12DB and 12DC respectively. The category breakdown of transfer pricing income in items 12DB and 12DC should sum to 12D. Please refer to the appendix for further details of the categorisation of transfer pricing as fees and cost recharges. A further breakdown of item 12DA is required in item 35.
13	**Operating profit before provisions and tax** Operating income (item 11) less operating expenses (item 12).
14	**Other items, including those which are exceptional or extraordinary** *Enter* other items that represent exceptional or one-off profits or losses. *Include:* a) Revaluation effects from items other than those reported under dealing profits (PL8). b) Material items that derive from events or transactions that fall outside the ordinary activities of the company and which are therefore expected not to recur frequently or regularly. For all PL14 items, reporting that reflect outgoings or exceptional expenditure should be reported negative and exceptional income should be reported positively. For example a £100mn fine should reported as -£100mn under PL14A.
14A	**Of which – fines, provisions for future fines and compensation payments** *Enter* the value of any fines or compensation payments paid or provisioned for during the quarter. Amounts should be reported here when they are accounted for and hit the profit and loss account. If a fine or compensation payment has already been provisioned for, the utilisation of this provision should therefore not be included here but within PL item EX that does not feed into the total retained profit figure.

	Where a provision for a fine is reported in one quarter and unwound in a later quarter, the provision unwind can be put through as a positive amount in PL14A.
14B	**Of which – current transfers** *Enter* here all voluntary contributions made to non-profit institutions serving households (NPISH). These *include* all voluntary contributions, membership subscriptions and financial assistance given to NPISH. Donations to universities, charitable contributions, including those in kind in the form of gifts of food, clothing, blankets, medicines etc. should also be *included*. Sponsoring by corporations should also be *included* when the sponsorship is not a way of advertising or by receiving another service.
14C	**Of which – impairments/gains on investments and profits/losses on sale of subsidiaries** *Include* the value of any impairments or gains made on investments in subsidiaries, associates and special purpose entities. Profits/losses made on the sale of subsidiaries where the value received is greater/less than the book value of the company should also be *included*. This should not include liquidating dividends or the withdrawal of profits accumulated over a long period of time on sale of assets. These constitute exceptional dividends and are treated as a withdrawal of equity and as such are not reported on Form PL.
14D	**Of which – other exceptional or extraordinary items** *Enter* any other exceptional or one-off item not already included within the breakdown above. Bonus claw backs should also be *included* here.
15	**Pre-tax profit on ordinary activities before provisions for bad and doubtful debts** Operating profit before provisions and tax (item 13), but after other items, including those which are exceptional and extraordinary (item 14).
16	**Tax**

	Please report all items classified as tax in the published accounts. Corporation tax and Capital Gains tax should be separated out under items 16A and 16B respectively. Please also *include* any payments made to the Financial Services Compensation Scheme (FSCS) and the Bank Levy under this item (but not within 16A or 16B).
17	**Dividends paid** *Enter* the value of dividends paid during the period (this should also *include* the cash value of any scrip issues). *Include* all dividends paid on equity including those on short sales (manufactured dividends). Figures should be reported gross of tax and on a cash basis. *Exclude* Income paid on non-participating preference shares (this should be reported in PL2D). Exceptional dividend payments that are made out of accumulated reserves, withdrawal of assets on event of dissolution of a foreign-owned reporting branch or subsidiary or sales of assets. Such exceptional payments, sometimes called super dividends should be treated as a withdrawal of equity rather than a dividend payment.
17A	**Dividends paid on own equity** *Enter* those dividends paid to shareholders. A separate breakdown of dividends paid on shares held by group companies and associates should also be *included*.
17B	**‘Manufactured’ dividends paid** *Include* any manufactured dividends arising from stock borrowing and lending activity and short-selling. Manufactured dividend payments can arise when an institution borrows a security from a security lender or client and that security pays a dividend while on loan. As the security lender customarily maintains the right to payments which accrue on the security, the borrower will ‘manufacture’ a dividend payment back to the lender.

	Manufactured dividends should be reported only when paid i.e. only if a dividend payment is made while the security is being borrowed. If the payment of the dividend is factored into the original sale and repurchase price then these amounts should not be reported as manufactured payments as should be *included* implicitly under interest on repo/reverse repo (PL2C). Please see the appendix for some worked examples of how this should be reported. The counterparty breakdown required in PL17BA-C refers to the counterparty with whom the reporting institution is trading and not the original issuer of the security.
18	**Other transfers from post-tax profit** *Include* here all transfers affecting post-tax profit that are not included in items 1-17 above.
19	**Retained profit before provisions for bad and doubtful debts** Pre-tax profit on ordinary activities before provisions for bad and doubtful debts (item 15) minus tax (item 16) minus dividends paid (item 17) and other transfers from post-tax profit (item 18). Note that this item should approximate to the movement in Form BT item BT19CD5B.
20	**Provisions for bad and doubtful debts**
20A	**Net provisions for bad and doubtful debts** *Enter* here the P&L charge for bad debt provisions. Net provisions are defined as provisions made against impaired financial assets, including interest, less releases and recoveries. This *includes* financial assets (including income) assessed individually and/or collectively as impaired. Further detail on provisions should be provided in lines 20AA – 20AD. Each of 20AA to AE should be reported as positives. Where identifiable, please report any provisions by sector within specific provisions (20AA items) rather than in general provisions (20AD). Specific provision charges (20AA), recoveries (20AC), and write-offs (20AE) should be broken down by sector into: UK local

	authorities, UK public corporations, other financial corporations, private non-financial corporations, households, non-profit institutions and non-residents. There is also a further sector breakdown within private non-financial corporations: commercial real estate. The definition of these sectors is as defined in section III of the Classification of Accounts Guide. Where the breakdown requested does not easily follow from practice within an individual reporting institution please contact ***DSDPLTeam@bankofengland.co.uk*** at the Bank to discuss. Any amount written-off (PL20AE) on the Form PL should have an equal and equivalent provision reported in PL20AA/AD in either the same or a previous quarter's PL submission. If a direct write-off is made during the quarter (i.e. a debt is written-off which has not previously been provided for), an equivalent provision for the write-off (20AE) should be reported in PL20AA/AD in the same quarter's PL. If a provision is made and written-off within a quarter, both the provision and write-off should be reported. We expect the provision charge for bad and doubtful debts (PL20A) to be equal to the sum of new provision charges minus releases and recoveries i.e. *PL20A = PL20AA + PL20AD - PL20AC - PL20AB*. PL20AB should capture all releases against both specific and general provisions. PL20AF should capture any revaluation effects or other changes that impact the final level of provisions (PL20B). PL20AG should capture net transfers of provisions that may occur during a merger with, or acquisition of, a loan issuer. This is outlined in the appendix. For a step-by-step guide on the reporting of provisions please see the flowchart in the appendix. For a step-by-step guide on the reporting of provisions in the case of a sale of loans please see the flowchart in the appendix.
20B	**Final level of provisions** The final balance sheet level of provisions, at the end of the reporting period, relating to debts considered to be bad or doubtful. The movement in 20B will therefore reflect provision charges before recoveries (20AA – 20AB + 20AD),

	write-offs (20AE), revaluation effects and other changes (PL20AF) and net transfers of provisions (PL20AG).
21	**Retained profit after provisions for bad and doubtful debts** Retained profit before provisions (item 19) less net provisions (item 20A).
22	**Number of full-time equivalent employees** The number of employees converted into full-time equivalents (FTE). Figures for the number of persons working less than the standard working time of a full-year full-time worker should be converted into full-time equivalents, with regard to the working time of a full-time full-year employee in the unit. *Included* in this category are people working less than a standard working day, less than the standard number of working days in the week or less than the standard number of weeks/months in the year. The conversion should be carried out on the basis of the number of hours, days, weeks or months worked. FTE employees should be reported on the basis on which they are employed. If an individual is employed on a full time basis but is away on leave, regardless of the reason for their absence, they are still employed as a full time worker they should be regarded as one FTE employee. *Exclude* contract workers who are not directly on your payroll, but paid by the company/agency you have a contract with.
23	**Benefits in kind (other than in 12AF)** *Include* a) Items where the cost is a reduction in income rather than an expenditure item, such as the cost of subsidising loans. Any other item not included in line 12AF, but which would appear in Inland Revenue returns as “benefits in kind”. b) The basis for this figure is the cost to the reporting institution rather than a measure of the benefit to the employee. Amounts that relate to benefits to employees should be recorded separately within the ‘of which’ due to employees item 23A. An example of what should be reported here is a

	subsidised loan to a charity, i.e. report the subsidised interest element in this box.
PLE	**Employee stock options (amounts outstanding)** *Enter* here the fair value, balance sheet value of any employee stock option (ESO) amounts outstanding at the end of the reporting period. All liabilities to the reporter, where the reporting institution is out of the money should be reported as a positive value: where the stock option goes 'into the money' for the employer and 'out of the money' for the employee the value of the option should be reported as 0; as it is assumed the option would not be exercised. For pragmatic reasons, and in line with international guidelines, we assume any options will not be revalued before the exercise date therefore the initial fair value should be reported in each period before the exercise date. Any fees, expenses or hedging involving the reporting institution and the third party should be reporting on Form PL in the appropriate place. For more information on the reporting of ESOs and the different schemes please see the definitions for PL item PL12AAC and the appendix.
PLEX	**Fines and compensation payments paid this quarter** *Include* the value of any fines and compensation payments paid during the quarter. This should only *include* amounts paid and not provisions for future amounts. If the amount has not been previously provisioned for this should also be *entered* in PL item 14A. As with PL14 reporting, outgoings should be reported as a negative. For example a £100mn fine should reported as -£100mn under PLEX. A sector breakdown into payments to regulatory authorities and the Treasury, other UK residents and non-residents should also be provided. Regulatory authorities *include* the PRA, the FCA, and other authorities that have the power to impose fines.

PL Item	Part 2 – Transactions with non-residents only
	The purpose of this part of the form is to collect a variety of data relevant to the current account of the Balance of Payments. This comprises, in the first place, data on interest, dividends and fees vis-à-vis non-residents and, secondly data on the profits or losses of entities in the UK owned by non-residents or of UK banks' and building societies branches and subsidiaries in the rest of the world. Note: as with all other forms, transactions with the Channel Islands and the Isle of Man should be reported as transactions with non-resident counterparties. Therefore, income (to or from) and direct investment earnings data vis-à-vis the Channel Islands and the Isle of Man should be reported here. Please note that the Channel Islands and the Isle of Man are also not part of the European Union. Dividends (items 26 and 30) should be reported on a cash basis. Refer to the appendix for the definition of a subsidiary. Most items on the form *include* an 'of which' from / to EU countries sub-section. Refer to the appendix for details of what is *included* in EU countries.
24	**Total interest receivable** *Enter* here the sum of boxes 1AA, 1BM, 1CM and 1DA in Part 1 (interest receivable on money market instruments, loans and advances, repos / reverse repos and bonds and FRNs from non-residents). Refer to Part 1 for definitions of these items.
24B	**Interest receivable on money market instruments** *Enter* here all interest receivable on money market instruments from non-residents (item 1AA in Part 1).
24C	**Interest receivable on lending under Export Credit Department Guarantee** *Enter* all interest receivable from non-residents on special scheme lending for exports (BT 27) plus any interest receivable beneficially in respect of such

	lending when refinanced by government departments, the Bank of England or UK banks authorised to refinance lending under the special scheme.
24D	**Interest receivable on other non-resident lending (excluding those included in 24C).** *Enter* all interest receivable on loans and advances from non-residents (item 1BM in Part 1). Please *include* all interest receivable on loan capital from non-resident branches, subsidiaries and associates (previously entered in item 24A), *exclude* any interest from lending under ECGD guarantee entered in item 24C.
24E	**Interest receivable on repos / reverse repos** *Enter* all interest receivable on repos and reverse repos from non-residents (item 1CM in Part 1).
24F	**Interest receivable on bonds and FRNs** *Enter* all interest receivable on bonds and FRNs from non-residents (item 1DA in Part 1), but *exclude* that receivable on loan capital from non-resident branches, subsidiaries and associates entered in item 24D; previously recorded in item 24A. *Include* interest receivable on non-participating preference shares issued by non-residents.
24G	**Of which: interest receivable from all related non-resident subsidiaries excluding related financial intermediaries** This item is required as interest on loans and all debt instruments between monetary financial institutions and non-financial intermediaries is classified as debt within foreign direct investment for the National Accounts. The item is an ‘of which’ of PL24 and would capture interest receivable already reported in boxes PL24B, PL24D, PL24E and PL24F. Non-resident related entities that should be reported here will *include*: a) Captive financial institutions b) Insurance companies and pension funds c) Financial auxiliaries

	d) Private non-financial institutions. It will *exclude* any deposit taking corporations, securities dealers, investment funds, hedge funds or any entity conducting similar activity.
24H	**Of which: interest receivable from all related non-resident parents excluding related financial intermediaries** This item is required as interest on loans and all debt instruments between monetary financial institutions and non-financial intermediaries is classified as debt within foreign direct investment for the National Accounts. The item is an 'of which' of PL24 and would capture interest receivable already reported in boxes PL24B, PL24D, PL24E and PL24F. Non-resident related entities that should be reported here will *include*: a) Captive financial institutions b) Insurance companies and pension funds c) Financial auxiliaries d) Private non-financial institutions. It will *exclude* any deposit taking corporations, securities dealers, investment funds, hedge funds or any entity conducting similar activity.
25	**Total interest payable** *Enter* here all interest payable to non-residents.
25B	**Interest payable on deposits** *Enter* here all interest payable on deposits (item 2BM in Part 1), also *include* interest that payable on loan capital to non-resident parents and head offices, previously recorded in item 25A.
25C	**Interest payable on repos / reverse repos** *Enter* here all interest payable on repos and reverse repos (item 2CM in Part 1).
25D	**Of which: interest payable to all related non-resident subsidiaries excluding related financial intermediaries**

	This item is required as interest on loans and all debt instruments between monetary financial institutions and non-financial intermediaries is classified as debt within foreign direct investment for the National Accounts. The item is an ‘of which’ of PL25 and would capture interest receivable already reported in boxes PL25B and PL25C. However we would also expect interest payable on all debt instruments such as money market instruments, bonds and other forms of debt to be reported here where the specific counterparty as listed above can be identified. As such is it conceivable that the amount reported in this box could be larger than the total reported in PL25. This is fine as this is a completely separate breakdown. Non-resident related entities that should be reported here will *include*: a) Captive financial institutions b) Insurance companies and pension funds c) Financial auxiliaries d) Private non-financial institutions. It will *exclude* any deposit taking corporations, securities dealers, investment funds, hedge funds or any entity conducting similar activity.
25E	**Of which: interest payable to all related non-resident parents excluding related financial intermediary** This item is required as interest on loans and all debt instruments between monetary financial institutions and non-financial intermediaries is classified as debt within foreign direct investment for the National Accounts. The item is an ‘of which’ of PL25 and would capture interest receivable already reported in boxes PL25B and PL25C. However we would also expect interest payable on all debt instruments such as money market instruments, bonds and other forms of debt to be reported here where the specific counterparty as listed above can be identified. As such is it conceivable that the amount reported in this box could be larger than the total reported in PL25. This is fine as this is a completely separate breakdown. Non-resident related entities that should be reported here will *include*: a) Captive financial institutions b) Insurance companies and pension funds

	c) Financial auxiliaries d) Private non-financial institutions. It will *exclude* any deposit taking corporations, securities dealers, investment funds, hedge funds or any entity conducting similar activity.
26	**Dividends received** *Enter* item 4A in Part 1 of the form, but this should be separated out into sterling, euros and other currencies.
26A	**On shares issued by non-resident group subsidiaries and associates** *Enter* all dividends received from non-resident subsidiaries and associates even though these may relate to profits earned in an earlier period. This item equals item 1 on form BG.
26B	**On other shares (not included in 26A)** *Enter* all dividends receivable on other holdings of securities issued by non-residents. *Exclude* a) Dealing profits / losses (item 8). b) Dividends received from non-resident subsidiaries and associates (item 26A).
27-28	**Fees and commissions receivable and payable** For fees and commissions receivable *enter* the figure 5A from Part 1 of the form. For fees and commissions payable, *enter* the figure 6A from Part 1 of the form. These items are equal to items 9 and 10 respectively on Form BG.
27/28 C	**On investment management and securities** *Enter* fees and commissions receivable from non-residents, whether in sterling or foreign currency, arising from the management of portfolios of securities and other security transactions.

	Enter fees and commissions payable to non-residents in relation to transactions in securities, where separately accountable, whether undertaken for the reporting institution's own account or for the accounts of clients. *Include* earnings from securities issues (including eurobonds, etc.) whether earned as sole issuer, as a member of an issuing syndicate or as underwriter.
27/28 E	**In connection with loans, advances and commitment and utilisation services.** *Enter* fees and commissions receivable / payable arising from lending activities and euronote facilities (e.g. participation or front-end fees and underwriting, commitment, facility and utilisation fees). *Include* all fees related to lending to non-resident entities or persons. All fees including reservation fees, early redemption fees, switching fees or any ongoing servicing fees should be included. *Exclude* fees for administering loans on behalf of other lenders. These should be reported in PL27/28 J outlined below.
27/28 F	**In connection with derivative instruments** *Enter* fees and commissions receivable / payable from / to non-residents in respect of derivative instruments such as futures and options. *Exclude* premiums on options
27/28 H	**In connection with current account services** *Include* charges for both current accounts and overdraft facilities to non-residents. Full guidance on the definition of a current account for PL reporting can be found in the appendix.
27/28 J	**In connection with other financial services provided** *Enter* in 27J all other earnings for financial services provided to non-residents, e.g. fees receivable for guarantees payable under break clauses, fees for administering loans on behalf of other lenders, and any other income from the provision of financial services (e.g. in the form of fees) other than as entered in 27C-27H or 27K .

	Enter in 28J all other expenses payable to non-residents for financial services provided.
27/28 K	**In connection with non-financial services provided** *Enter* fees and commissions receivable/payable to non-residents for other services which cannot be classed as financial, e.g. executor and trustee services, computer bureau services, and any other income (e.g. in the form of fees) other than as entered in 27C-27J above.
29	**Tax**
29A	**Tax paid to non-resident tax authorities** Amounts receivable from non-resident assets from the total interest, fees and commissions and dividends receivable sections (all items in 24, 26 and 27) should be reported gross of all taxes. *Enter* the tax element of these outward investments, which are due to the non-resident tax authorities. For example, if the income received from a deposit placed in a bank abroad is subject to withholding tax, the amount of tax charged by the non-resident tax authorities on this income should be *entered* in this box. All refunds of tax from non-resident authorities should be netted off against this item, except refunds of tax on retained profits of non-resident branches, subsidiaries and associated companies (item 31). Refunds of tax on these profits should be offset against the original profit item on which the tax was paid. *Exclude* any income or corporation taxes on profits payable to local tax authorities by non-resident subsidiaries and branches (i.e. taxes relating to income *included* in item 31).
30	**Dividends Paid**
30A	**Dividends paid on shares held by non-resident group companies and associates** *Enter* those dividends paid to non-resident group companies. *Include* all dividends paid, even though these may relate to profits earned in an earlier period. Refer to item 17 in Part 1 for a definition of dividends paid.

	This item equals item 5 on form BG.
30B	**Manufactured dividends paid** *Include* any manufactured dividends arising from stock borrowing and lending activity and short-selling with non-residents. Please see item 17B in Part 1 of the definitions for further guidance on the reporting of manufactured dividends.
31/32	**Profits / losses of branches, subsidiaries and associated companies** This section need only be completed by reporting institutions that have non-resident branches, subsidiaries or associates (31) or which are themselves the UK branches, subsidiaries or associates of non-resident entities (32). These items also appear on the Form BG. Where a quarterly reporting institution reports these items, the total of the four quarterly PL returns should equal the figure reported on Form BG. Profits or losses should be shown in 31B according to the definition of post-tax profit including any dividends paid to the resident reporting entity on shares issued by non-resident subsidiaries and associates but excluding any dividends paid to other shareholders Profits or losses should be shown in 32B according to the definition of post-tax profit including any dividends paid on shares held by non-resident group companies and associates but excluding any dividends paid to other shareholders. For reporting institutions that have non-resident branches, subsidiaries or associates, post-tax profit/loss should *include* holding gains/losses (to *include* dealing profits less net spread earnings, provisions and exceptional items) and these should also be reported in the supplementary item 33.
31A	**Total profits (+) / losses (-) earned by non-resident branches** *Enter* profits / losses net of corporation tax and other known local taxes, earned during the period (the equivalent of PL21 if they reported a PL), whether or not remitted to the reporting institution. Refunds of tax paid on

	profits (under, for example, double taxation agreements), should be netted off against the profit items themselves, not the taxation item 29A. This item is equal to item 3 on the BG.
31B	**Reporter's share of total profits (+) / losses (-) earned by non-resident subsidiaries and associated companies** *Enter* the share of profit / loss (the equivalent of PL21 if they reported a PL) in accordance with the reporter's proportionate holding of ordinary shares in the subsidiary or associated company, net of corporation taxes, and all other known local taxes. Refunds of tax paid on profits (under, for example, double taxation agreements), should be netted off against the profit items themselves, not the taxation item 29A. *Enter* profits / losses whether or not remitted to the reporting institution. *Include* a) The pro rata share of all profits / losses earned during the period. b) Undistributed earnings, whether or not dividends in respect of these earnings have been declared. c) Any dividends paid to the reporting institution as the UK parent company. *Exclude* d) Profits / losses channelled through a UK incorporated holding company. e) Any dividends paid to other shareholders. This item equals item 4 on Form BG.
32A	**Total profit (+) / loss (-) earned by the reporting institution which is a branch of a non-resident entity** *Enter* profits / losses net of corporation tax and other known local taxes, earned during the period (as reported in PL21), whether or not remitted to the non-resident entity. Refunds of tax paid on profits (under, for example, double taxation agreements), should be netted off against the profit items themselves, not the taxation item 29A. This item is equal to item 7 on the form BG.

32B	**Non-resident investor's share of reporting subsidiary / associate's total profits (+) / losses (-)** *Enter* the share of profit / loss (as reported in PL21) in accordance with the non-resident investor's proportionate holding of the reporting institutions' ordinary shares, net of corporation taxes, and all other known local taxes. Refunds of tax paid on profits (under, for example, double taxation agreements), should be netted off against the profit items themselves, not the taxation item 29A. *Enter* profits/losses whether or not remitted to the non-resident investor. *Include* a) The pro rata share of all profits/losses earned during the period. b) Undistributed earnings, whether or not dividends in respect of these earnings have been declared. c) Any dividends paid on shares held by non-resident group companies and associates. *Exclude* d) Profits / losses channelled through a UK incorporated holding company. e) Any dividends paid to other shareholders. This item equals item 8 on Form BG.
33	**Holding gains/losses of non-resident branches, subsidiaries and associated companies (please *include* dealing profits, provisions and exceptional items)** This should be equal to the dealing profits (less net spread earnings) plus exceptional items less provisions that contribute to the profit and loss of your non-resident branches, subsidiaries and associated companies as *included* in PL31. Refer to items PL8, PL14 and PL20A on Part 1 for a definition of the items to be *included*.
34/35	**Intra-group operating income/expenses with non-residents**

	Enter the value of transfer pricing income/expenditure with non-resident group entities as reported in PL9E/12D. Transfer pricing should only *include* receipts/payments in relation to services provided to or by other group entities. All non-service related profit transfers should be *excluded*. Intra-group transfer pricing income and expenditure with non-residents should be separately identified between fees and cost recharges and other intra-group expenditure, in items 34/35A and 34/35B respectively. Please refer to the appendix for further details of the categorisation of transfer pricing as fees and cost recharges.

Form PL: Profit and Loss return

Appendix to Definitions

This appendix highlights the treatment of the subjects listed below, and should act as an accompaniment to the PL definitions.

i) Revisions and adjustments to prior period data
ii) Repo-related transactions (including security borrowing/lending and repo buy/sell back)
iii) Transfer pricing and intra-company recharges
iv) Employee stock options
v) Branches, subsidiaries and associates
vi) EU countries
vii) Classification of a current account for PL reporting purposes
viii) Reporting of provisions on Form PL

i) Revisions and adjustments to prior period data

As the PL data is used in the compilation of GDP and Balance of Payments, it is essential that the data are captured in the correct period. Therefore, if there are any revisions to previous quarters/years, please resubmit the correct figures for these quarters/years.

If there are adjustments to be made relating to prior periods and you are unsure how they should be treated, contact the appropriate person at the Bank of England.

If any revisions or adjustments total less than £1 million and as such they are not seen as material within the overall context of your figures, they need not be included. If you need any further guidance of materiality please contact ***DSDPLTeam@bankofengland.co.uk***.

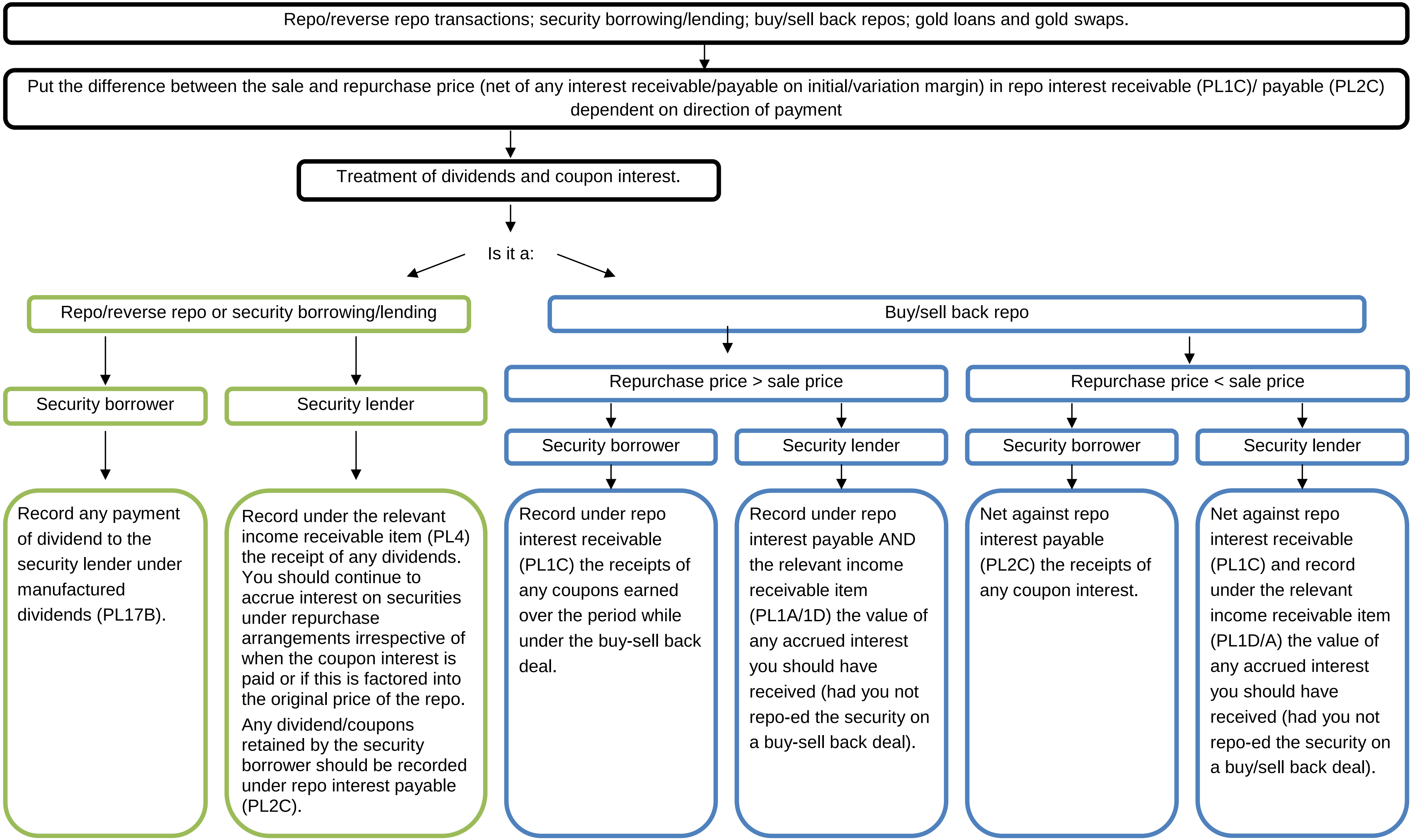
ii) Repo-related transactions (including security borrowing / lending and repo buy /sell back) and gold lending/swaps

A repurchase agreement (repo) is an arrangement involving the sale of securities at a specified price with a commitment to repurchase the same or similar securities at a fixed price on a specified future data or on a date subject to the discretion of the borrower. The economic nature of a repo and security borrowing / lending is similar to that of a collateralised loan. This is because the borrower of the security is providing funds (backed by the securities) to the seller for the period of the agreement and is receiving a return from the fixed price when the repurchase agreement is reversed. For the purposes of the PL, security for security trades should be treated in the same manner as trades that involve cash as collateral i.e. the fee received/paid on security for security trades should be recorded as interest.

Buy / sell back transactions are a method of achieving a repo without the dedicated settlement systems. As no separate legal agreement exists for the return of dividends/coupons to the original owner, the repatriation of these is done by means of the repurchase price. For this reason, the treatment of dividends/coupons is slightly different on the Form PL for buy/sell backs than it is for repos (please see diagram overleaf). The overall effect of the deal on all lines on the PL, however, should be the same for both types of trade.

For the purposes of the PL gold swaps/ gold lending should be treated in a manner similar to a repurchase agreement. The fees paid/received for these deals should be recorded as interest (PL1C/2C).

Please note: interest on repos/reverse repos should be recorded on the basis of the direction of payment rather than product i.e. interest received on a repo that has a negative repo rate should be recorded under PL1C rather than PL2C. In addition, please note interest should be recorded net of any interest paid on margin.


Repo/reverse repo transactions; security borrowing/lending; buy/sell back repos; gold loans and gold swaps.
Put the difference between the sale and repurchase price (net of any interest receivable/payable on initial/variation margin) in repo interest receivable (PL1C)/ payable (PL2C) dependent on direction of payment
Treatment of dividends and coupon interest.
Is it a:
Repo/reverse repo or security borrowing/lending
Buy/sell back repo
Security borrower
Security lender
Repurchase price > sale price
Repurchase price < sale price
Security borrower
Security lender
Security borrower
Security lender
Record any payment of dividend to the security lender under manufactured dividends (PL17B).
Record under the relevant income receivable item (PL4) the receipt of any dividends. You should continue to accrue interest on securities under repurchase arrangements irrespective of when the coupon interest is paid or if this is factored into the original price of the repo.
Any dividend/coupons retained by the security borrower should be recorded under repo interest payable (PL2C).
Record under repo interest receivable (PL1C) the receipts of any coupons earned over the period while under the buy-sell back deal.
Record under repo interest payable AND the relevant income receivable item (PL1A/1D) the value of any accrued interest you should have received (had you not repo-ed the security on a buy-sell back deal).
Net against repo interest payable (PL2C) the receipts of any coupon interest.
Net against repo interest receivable (PL1C) and record under the relevant income receivable item (PL1D/A) the value of any accrued interest you should have received (had you not repo-ed the security on a buy/sell back deal).

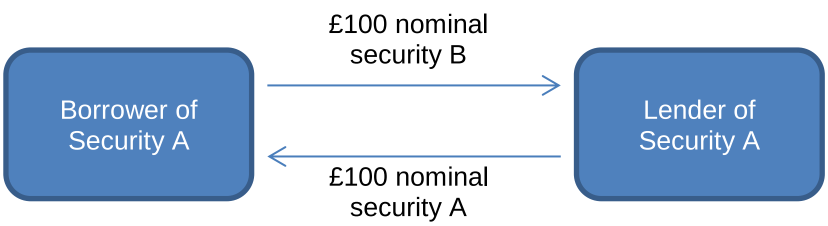
Reporting of manufactured dividends and interest under securities lending and short selling

1. <u>**Securities lending example**</u>

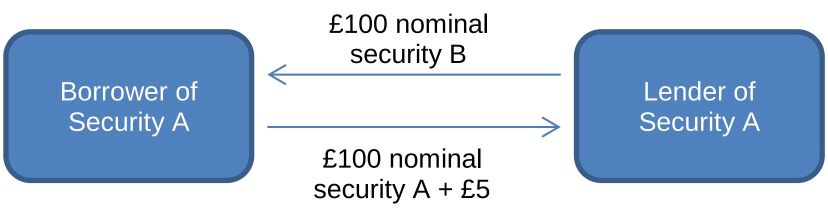
- The security lender lends £100 of security A to the security borrower. In return, the security borrower pledges £100 of security B as collateral.
- The lender requires a fee of 5%.
- Security A pays out a coupon of £1.
- Security B pays out no coupon.
- Simplifying assumption – no margin is required.
- Fee set at 5% of market value of security A (trading at par).

The transaction:

Leg 1:



Leg 2:



Repurchase price (£105) > sale

The balance sheet:

Securities borrower	Securities lender
There will be no change in either balance sheet	

Under BMP6 fees on security lending are treated as interest. As such see this as:

The PL:

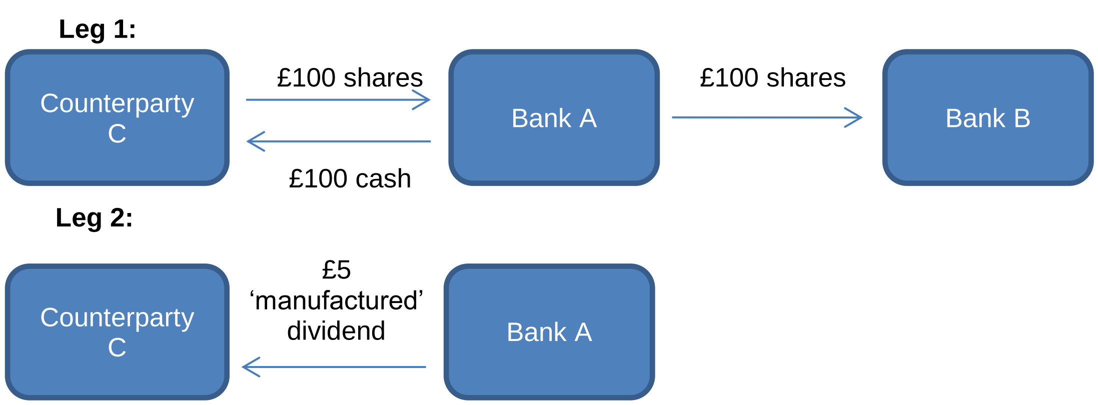
Borrower of securities A		Lender of securities A	
PL2C	Up 5	PL1C	Up 5
Treatment of dividends/coupon:			
	The coupon receipt and subsequent payment of coupon interest should not be recorded on the PL	PL1D	Up 1 (accrual of coupon payment)

Fees on security lending are treated as interest. As is any fee received on repos or buy/sell backs with securities as collateral.

2. <u>Short selling example</u>

- Bank A borrows £100 shares from Counterparty C to sell short to Bank B. Bank A pledges £100 cash as collateral to counterparty C.
- The issuer of the shares pays a dividend of £5.
- Bank B is now the owner of these shares so receives the dividend
- Counterparty C is expecting the dividend and so Bank A must "manufacture" a dividend to pay to Counterparty C.

The transaction:



The balance sheet:

Counterparty C	Bank A (short seller)		Bank B	
No balance sheet impact	BT32	Down 100 (short sale of shares reported as a negative investment)	BT32	Up 100 (receipt of shares from Bank A)

The PL:

Counterparty C		Bank A (short seller)		Bank B	
PL4	Up 5 (receipt of ‘manufactured’ dividend from Bank A)	PL17B	Up 5 (payment of ‘manufactured’ dividend to Counterparty C)	PL4	Up 5 (receipt of dividend from share issuer)

iii) Transfer pricing and intra-company recharges

Transfer pricing should capture income and expenditure on services provided to each other by group entities. There are two common types of such service income and expenditure:

- **Intragroup fees**
  These are equivalent to fees receivable and payable reported under items PL5/6 where the counterparty is an intra-group entity. Ideally these fees should be reported under the appropriate fee item but, where indistinguishable from other intra-group income and expenditure, it is acceptable to report these fees under transfer pricing.

- **Cost recharges**
  These are applied when the costs of a centrally managed service are allocated and charged to each group entity. For example, software for the whole group may be purchased by one group entity (entry in PL12); parts of the cost are then recharged to other group entities (compensating income under PL9DA). These recharges are equivalent to other operating income (PL9D) and operating expenses (PL12) on form PL where the counterparty is an intra-group entity.

Transfer pricing should also *include* any intra-group service income and expenditure not covered by intragroup fees or cost recharges.

It is important to note that “cost recharges” should not include any transfers of profit for deals made on clients’ behalf. Such profit transfers occur when the reporter books a deal on behalf of another group entity, with net profit transferred back to that group entity. In this case both the dealing profit and the transfer out of this profit should be recorded under item 8D. Any trading profit transfers classified as transfer pricing in the financial accounts should be reported under dealing profits on the PL form. An example of the treatment of a dealing profit, the profit transfer and a related service income is shown as follows.

Suppose the UK entity brokers a deal on behalf of its US subsidiary, making a £500m trading profit on the deal. The £500m is then transferred back to the US subsidiary which owns the trading portfolio. The US subsidiary also pays a fee of £10m to the UK reporter for the service provided. This fee can be either implicit (a dealing profit of £500m, of which only £490m is transferred back), or explicit (a transfer pricing expense of £10m by the US subsidiary). Regardless of the exact transaction, reporting should be as follows

UK PL reporter		US Subsidiary
Dealing profit CR £500m (PL 8D)	Profit transfer £500m →	Dealing profit transfer CR £500m
Dealing profit transfer DR £500m (PL 8D)		Transfer pricing expense DR £10m
Transfer pricing income CR £10m (PL 9DA)	← Transfer pricing £10m	Net CR £490m
Net CR £10m		

Valuation

The general principles in national and commercial accounting guidelines, which should be followed here, are that transfer pricing should reflect market value or estimated market value if an appropriate market comparison is not possible. Costs and income should be matched to the location where the work was conducted.

iv) Employee stock options

In all cases where an employer has bought a stock option in the market and is using this to pass on the liability when offering employee stock options this should be treated as a normal derivative under PL8C and should not impact the treatment of the related employee stock options. Please note that this may result in a nil impact in PL8C as holding losses by offering the employee stock option are counteracted by holding gains from the option that has been purchased.

1. **<u>Non-contributory ESO</u>**

Non-contributory ESOs: schemes whereby the employer contributes all funds and no contribution by the employee is made. An estimate of the value of the ESO should be made at grant date and then accrued over the period between the grant date and the vesting date. The amounts should be reported on an accrued basis within PL12AAC, with the value of the option outstanding reported within PLE as a positive liability. For pragmatic reasons, and in line with international guidelines, we assume the value of the ESO will not be revalued prior to the exercise date; therefore, the whole of the increase between grant date and exercise date can be treated as a holding gain or loss within PL8C. An increase in value of the share price above the strike price is a holding gain for the employee and a holding loss for the employer. If the share price falls below the strike price it is assumed that the employee will not exercise the option and will instead take the cash: in this case PLE will be valued at 0.

Example of a non-contributory (employer only) stock option:

Employer offers an employee a stock option of 100 shares at £5 in a year's time or the equivalent cash value. In this example it is assumed that the employee will take the cash settlement if the share price falls below £5 and will exercise the option if the share price rises above £5. We will take 1st January 2015 as the grant date and 31st December 2015 as the vesting date. The exercise date occurs during Q1 2016. At the grant date the current share price is £5, after 3 months the share price rises to £6 and remains there until the exercise date. Fair market value at grant date is 100 * £5 = £500, accrued over the year = £125 per quarter. Any associated administrative or transaction costs to the employer should be recorded in the related PL item.

We would expect the following impact on the PL:

	Impact on PL		
(£)	**PL12AAC**	**PLE**	**PL8C**
Q1 2015	125	0	
Q2 2015	125	0	
Q3 2015	125	0	
Q4 2015	125	0	
Q1 2016			(5-6)*100=-100

2. <u>Contributory ESO by both employee and bank – type 1</u>

Contributory ESOs by both employee and bank: schemes such as 'share match' where employees are able to contribute funds to obtain stock options and the bank (employer) also contributes to these funds (by either fully matching the employee contribution or otherwise). An estimate of the value of the ESO should be made at grant date and then accrued over the period between the grant date and the vesting date. The employers contribution towards this should be reported on an accrued basis within PL12AAC, with the value of the total option outstanding reported within PLE as a positive liability. For pragmatic reasons it is unlikely that estimates of the costs of ESOs to the employers are revised between grant date and exercise date therefore, the whole of the increase between grant date and exercise date can be treated as a holding gain or loss within PL8C. An increase in value of the share price above the strike price is a holding gain for the employee and a holding loss for the employer. The value reported in PLE at grant date in this example is the full liability of the reporting institution to the value of the options they have provided the employee. The value at vesting date would also *include* all MTM revaluation of both the employer's contribution to the option as well as the employees.

Example of a contributory (employer and employee) stock option:

Employer offers an employee a stock option for 100 shares at £5 in a year's time. The employer pays for 50 and the employee pays for 50. In this example we will take 1st January 2015 as the grant date and 31st December 2015 as the vesting date. It is also assumed that the employee will exercise this option within Q1 2016. Current share price is £5, after 3 months the share price rises to £6 and remains there. The employer's contribution at fair market value to the employee at grant date is 50 * £5 = £500. The employer's cost accrued over the year is £62.5 per quarter. Any associated administrative or transaction costs to the employer should be recorded in the related PL item.

	Impact on PL		
(£)	**PL12AAC**	**PLE**	**PL8C**
Q1 2015	62.5	0	
Q2 2015	62.5	0	
Q3 2015	62.5	0	
Q4 2015	62.5	0	
Q1 2016			(5-6)*100=-100

3. **Contributory ESO by both employee and bank – type 2**

A second type of ESO where both the employer and the employee contribute is where the employee is offered the stock option at a discounted price to market value. An estimate of the value of the discount (i.e. the employer's contribution) should be made at the grant date: this should then be accrued across the period under PL12AAC. Total discount would also be recorded within PLE, prior to any revaluations, as a positive liability. For pragmatic reasons, it is unlikely that estimates of the value of the ESO are revised between grant date and exercise date, therefore this change in value should be treated as a holding gain or loss within PL8C. An increase in value of the share price above the strike price is a holding gain for the employee and a holding loss for the employer.

Other save as you earn schemes which involve buying shares at a discounted price are not employee stock options. For such schemes, the difference in price between what the employee can purchase shares at and the element that the bank contributes to the cost value should recorded as a benefit in kind in PL12AG. Any amounts outstanding from these schemes should not be reported in either PL12AAC or PLE.

Example of a contributory (employer offers a discount and employee purchases) stock option:

Employer offers a stock option for 100 shares over a year at a discount: the employee pays for all 100 however the employer assumes the liability for the short fall in the cost. In this example we will take 1st January 2015 as the grant date and 31st December 2015 as the vesting date. It is also assumed that the employee will exercise this option within Q1 2016.

Fair market price for this option is £5 per share: the employee buys the option for the share price at £3. Cost to employee = £3 * 100 = £300. Cost to employer = (£5 - £3) * 100 = £200: accrued over the year: £50 per quarter. After 3 months the share price rises to £6 and remains there. Any associated administrative or transaction costs to the employer should be recorded in the related PL item. Within PLE we would expect to see the estimated value of the ESO to the employer.

	Impact on PL		
(£)	**PL12AAC**	**PLE**	**PL8C**
Q1 2015	50	200	
Q2 2015	50	200	
Q3 2015	50	200	
Q4 2015	50	200	
Q1 2016			(5-6)*100=-100

4. Contributory ESOs by employee only

Contributory ESOs by employee only: schemes such as 'save as you earn' where employees can save part of their salary with the option to buy stocks. Other 'save as you earn' schemes that allow investment in cash or stocks, as opposed as stock options should not be reported here. In these schemes the employer does not contribute anything to the employees' funds and as such no entry should be reported within PL12AAC. As it is unlikely that estimates of the costs of ESOs to the employers are revised between grant date and exercise date, this should be treated as a holding loss within PL8C. An increase in value of the share price above the strike price is a holding gain for the employee and a holding loss for the employer.

Banks may also offer non-contributory share awards, where employees are offered shares as a form of remuneration and may be dependent on certain performance criteria being met. These do not constitute employee stock options and should not be reported as such. The fair value of these awards should form part of the annual bonus accrual amount reported in item PL12AAB.

Please contact us to discuss the reporting of other types of schemes not included within the definitions above.

Example of a contributory by employee only ESO:

Employer offers an employee the chance to buy a stock option for 100 shares over a year. In this example we will take 1st January 2015 as the grant date and 31st December 2015 as the vesting date. Current share price is £5, after 3 months the share price rises to £6 and remains there. Fair market value 100 * £5 = £500. Any associated administrative or transaction costs to the employer should be recorded in the related PL item.

	Impact on PL		
(£)	**PL12AAC**	**PLE**	**PL8C**
Q1 2015		0	
Q2 2015		0	
Q3 2015		0	
Q4 2015		0	
Q1 2016			(5-6)*100=-100

v) Branches, subsidiaries and associates

A *subsidiary* is a direct investment enterprise in which an investor owns more than 50 per cent of its voting power i.e. it is controlled by the investor. For further clarification on the definition of a subsidiary, refer to part 38, paragraph 1159 of the Companies Act 2006. This corresponds to the wider definition of subsidiaries given in section 4(a) of the General Notes and Definitions, covering partly, as well as wholly, owned subsidiaries.

An *associate* is a direct investment enterprise in which an investor owns directly at least 10 per cent of the voting power and no more than 50 per cent.

A *branch* is 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. For further information on direct investment as it relates to banks and building societies, see the definitions for Forms FO and FI. Items within 26A and 30A need be completed only by reporting institutions that have any of the following, head office, parent, branches, subsidiaries or associates, as a non-resident. Items 31 and 33 only need to be completed by reporting institutions that have any of the following branches, subsidiaries or associates that are non-resident. Item 32 only needs to be completed by reporting institutions which have a head office, parent or other direct investor located outside the UK. See notes and definitions to Forms FO and FI for definitions of "subsidiary" and "associate". Items 26A, 30A, 31 and 32 (and also the items contained in sections 27 and 28 of this form) also appear on the Form BG, where additional geographical detail is required. Reporting institutions required to submit a Form BG, should ensure that the totals for items 26A, 27, 28, 30A, 31A, 31B, 32A and 32B are the same on both forms.

Quarterly PL reporters should ensure that the sum of the four quarterly returns equals form BG for these items.

UK parent institutions with subsidiaries abroad, where those subsidiaries hold ordinary shares or other equity of the parent company, should contact the Bank of England at the address shown on the front of the form to discuss the appropriate treatment of associated interest flows. This also applies to cases where a subsidiary of a non-resident parent institution holds ordinary shares or other equity in its non-resident parent.

vi) EU countries

Includes the 27 countries of the EU

Austria	
Belgium	
Bulgaria	
Croatia	
Cyprus	
Czech Republic	
Denmark	
Estonia	
Finland	
France	*(Including French Southern and Antarctic Territories, French Guiana, Mayotte, St Pierre and Miquelon, Guadeloupe, Monaco and Martinique)*
Germany	
Greece	
Hungary	
Ireland	
Italy	
Latvia	
Lithuania	
Luxembourg	
Malta	
The Netherlands	
Poland	
Portugal	
Romania	
Slovakia	
Slovenia	
Spain	*(Including the Balearic and Canary Islands)*
Sweden	

Note:

a) *Include* the European Central Bank

b) *Include* European Union Institutions

c) *Include* European Stability Mechanism

d) *Exclude* Channel Islands and the Isle of Man

vii) Classification of a current account for PL reporting purposes

For PL reporting the term current account is intended to cover both ‘current accounts’ and ‘basic bank accounts’. Use of the term ‘current account’ in this guide covers both terms.

There are five properties of an account which are regarded as independently sufficient for an account to be classified as a current account. These are as follows:

1. Where an account name *includes* the term current account, or is advertised as a current account.
2. Where the terms and conditions of an account refer to its status as a current account or where a current account section of general terms and conditions apply to an account.
3. Where balances or charges related to an account are classified as relating to current accounts in the company’s annual report and accounts.
4. Where an account provides some or all customers with a chequebook, overdraft, or debit card for use in point of sale retail transactions.
5. Where an account is eligible for use in direct debit payments.

In addition to the criteria above, a current account should, when in credit be a sight deposit. Not all sight deposits are classed as current accounts. As such this criterion is necessary but not sufficient.

viii) Reporting of provisions on Form PL

Risk of loss identified: provision made

Specific or General?

Specific
(+) PL20AA
(including sector detail)

Profits reduce
(+) PL20A
(-) PL21

General
(+) PL20AD

Profits reduce
(+) PL20A
(-) PL21

Add provision to the stock
(+) PL20B

Information – Balance sheet effects of provisions

A new provision increases the provision reserve and reduces the retained profit reserve. On the BT, this increases BT19CD5D1 and reduces BT19CD5B. Loans are reported gross of provisions of the BT.

Risk subsides/ loan repaid

Release provision
(+) PL20AB

Remove from stock
(-) PL20B

Profits increase
(-) PL20A
(+) PL21

Risk materialised/ loan deemed irrecoverable

Write-off provision
(+) PL20AE
(including sector detail)

Remove from stock
(-) PL20B

Structural equation: Expense charge
PL20A = (PL20AA+PL20AD) - (PL20AB+PL20AC)

***Interpretation**: PL20A is the net provision expense on the PL. It must therefore equal to the expense of new provisions, less the release of provisions for loans no longer at risk (releases), less income recovered from loans previously written off.*

Structural equation: Stock movement
PL20B = PL20Bn-1 + (PL20AA+PL20AD) – (PL20AB+PL20AE) + PL20AF + PL20AG

***Interpretation**: PL20A is the net provision expense on the PL. It must therefore equal to the expense of new provisions, less the release of provisions for loans no longer at risk (releases), less income recovered from loans previously written off, plus any revaluation effects and net transfers of provisions.*

Possible outcome: Recoveries of amounts written off

Recovery
(+) PL20AC
(including sector detail)

Profits increase
(-) PL20A
(+) PL21

Information – Write-offs

Write-offs do not affect profit because the cost is recorded at the provision stage. On the BT, loans are net of write-offs, so loan assets will fall, offset by lower provision reserves (BT19CD5D1).

Timing of provisions and write-offs

In some instances a write-off will be made simultaneously with the provision – a 'direct write-off'. Here, the provision and write-off should both be reported on the PL, reducing profits by the amount reported as a provision. On the BT, the loan assets will fall, offset by a lower reserve for retained profit (BT19CD5B). This is equivalent to completing the provision and write-off process above in one action.

Treatment of acquisitions

Where a bank acquires an existing loan portfolio through the merger with or acquisition of a loan issuer, not an acquisition of a loan book, it will also acquire the provisions. The stock of provisions (PL20B) should increase by the value of provisions 'transferred' to the acquiring bank, with the value of provisions transferred reported within net transfers (PL20AG). Further new provisions (PL20AA/AD) or releases (PL20AB) should be made as normal.

Guidance for the Reporting of Sale/Purchase of Loans on the Form PL:

Please note:

- NV refers to the Nominal Value of the loan (net of write-offs) as reported on the BT.
- This guidance relates to the sale of any loans (banking and/or trading book) as specified in the Form WO definitions.
- Any provisions/write-offs/gains (including on sale) following the purchase of a loan should be recorded in respect of the nominal amount. In cases where the purchase price differs from the nominal value, any difference between the two should be reported as a dealing profit or loss by the purchaser.
- Where the sale price differs from the nominal amount transferred, the difference between the two should be recorded by the seller as a dealing profit or loss (PL8D). Where the loan has previously been provisioned for, any provisions should be released so that the full value of the difference goes through PL8D.
- Reporting on the sale of loans that have been previously written down should follow the same guidance; we would expect any write-down against the original nominal to be recorded by the original lender, and any subsequent purchaser to record provisions/write-offs/gains in respect of new nominal amount.

Though certain instances included may be rare, all are theoretically possible and have therefore been included for completeness.

If you have any queries regarding this guidance, please email *DSDPLTeam@bankofengland.co.uk*.

1) Sale of unprovisioned loans

Unprovisioned loans: Loans with no provisions currently against them on their PL

Sold at a discount (loss)
Sale price < Nominal Value (NV)

NV – Sale Price = Dealing loss (-PL8D)

Sold at a gain (profit)
Sale price ≥ Nominal Value (NV)

Sale price – NV = Dealing gain (+PL8D)

Numerical Example

		Sold at discount (loss)	Sold at gain (profit)
	Nominal Value:	*100*	*100*
	Sale Price:	*30*	*120*
	Provision to date:	*0*	*0*
This quarter's PL:	Write-offs (PL20AE)	-	-
	Specific/general provisions (PL20AA/AD):	-	-
	Recoveries (PL20AC):	-	-
	Dealing Profits (PL8D):	-70	20

2) Sale of provisioned loans

Provisioned loans: Loans with provisions open against them on their PL

Sold at a discount (loss)
Sale price < Nominal Value (NV)

NV - Sale price = Dealing loss (-PL8D)
Provision to data = Releases (+PL20AB)

Sold at a gain (profit)
Sale price ≥ Nominal Value (NV)

Sale price – NV = Dealing profit (+PL8D)[1]
Provision to date = Releases (+PL20AB)

[1]For loans previously written off please record any gain above NV up to the value of the previous write-off as a recovery (+PL20AC) and any additional gain above this as a dealing profit (+PL8)

Numerical Examples

		Sold at discount (loss)		Sold at gain (profit)
		Loss on sale < Provision to date	**Loss on sale > Provision to date**	
	Nominal Value:	*100*	*100*	*100*
	Sale Price:	*30*	*80*	*120*
	Provision to date:	*75*	*15*	*75*
This quarter's PL:	Write-offs (PL20AE)	-	-	-
	Releases (PL20AB):	75	15	75
	Specific/general provisions (PL20AA/AD):	-	-	-
	Dealing Profits (PL8D):	-70	-20	20

3) Purchase of unprovisioned/provisioned loans

Bought below nominal value
Purchase price ≤ Nominal Value (NV)

NV – Purchase price = Dealing profit (+PL8D)

Any subsequent provisions recorded in respect of nominal value = Specific/General Provisions (PL20AA/AD)

Bought above nominal value
Purchase price > Nominal Value (NV)

Purchase price - NV = Dealing loss (-PL8D)

Any subsequent provisions recorded in respect of nominal value = Specific/General Provisions (PL20AA/AD)

Numerical Examples

		Bought below NV		Bought above NV
		Amount recovered > Purchase price	**Amount recovered < Purchase price**	
	Nominal Value:	*100*	*100*	*100*
	Purchase Price:	*30*	*80*	*120*
	Amount repaid by borrower:	*50*	*60*	*90*
Future quarter's PL:	Write-offs (PL20AE)	50	40	10
	Specific/general provisions (PL20AA/AD):	50	40	10
	Dealing profits (PL8D):	70	20	-20

Note: These examples are provided as a guide for the future reporting by the purchaser of a loan i.e. in the eventual case that the borrower repays x amount of the loan. On purchase the purchaser should record any difference between nominal value and purchase price as a dealing profit or loss, but then record any provisions/write-offs in respect of nominal value.