

**PRA RULEBOOK: CRR FIRMS: LEVERAGE RATIO INSTRUMENT 2024**

**Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
  - (1) section 137G (The PRA’s general rules);
  - (2) section 137T (General supplementary powers);
  - (3) section 144H(1) (Relationship with CRR); and
  - (4) section 192XA (Rules applying to holding companies).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

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- C. The PRA makes the rules in Annexes to this instrument.

Part	Annex
Glossary	A
Leverage Ratio (CRR)	B
Disclosure (CRR)	C
Reporting (CRR)	D

**Instruction documents**

- D. The rules in this Instrument include any instruction document referred to in the rules. Where indicated by “here”, the rules when published electronically will include a hyperlink to the appropriate document.

**Commencement**

- E. This instrument comes into force on 5 August 2024.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Leverage Ratio Instrument 2024.

**By order of the Prudential Regulation Committee**

16 July 2024

**Annex A****Amendments to the Glossary Part**

In this Annex the text is all new and not underlined.

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*central bank claim*

means a *firm's* exposures to a central bank that are denominated in the national currency of the central bank and represented by:

- (1) banknotes and coins constituting legal currency in the jurisdiction of the central bank;
- (2) reserves held by the *firm* at the central bank;
- (3) reserves held by or on behalf of the *firm* in an *omnibus account* at the central bank; or
- (4) any assets representing debt claims on the central bank with a maturity of no longer than three *months*.

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*omnibus account*

means an account at a central bank in which comingled funds can be held by, or on behalf of, more than one entity.

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*Principles for Financial Market Infrastructures*

means the Principles for Financial Market Infrastructures issued by the Committee on Payment and Market Infrastructures and the International Organisation of Securities Commissions in April 2012.

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## Annex B

## Amendments to the Leverage Ratio (CRR) Part

In this Annex new text is underlined and deleted text is struck through.

## 1 APPLICATION AND DEFINITIONS

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1.2 In this Part, the following definitions shall apply:

~~*central bank claim*~~

~~means the following exposures of a firm to a central bank, provided these are denominated in the national currency of such central bank;~~

- ~~(1) banknotes and coins constituting legal currency in the jurisdiction of the central bank;~~
- ~~(2) reserves held by a firm at the central bank; and~~
- ~~(3) any assets representing debt claims on the central bank with a maturity of no longer than 3 months~~

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*participant entity*

means an entity which holds funds, or has funds held on its behalf, in an omnibus account.

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## 3 LEVERAGE RATIO (PART SEVEN CRR)

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### ARTICLE 429a EXPOSURES EXCLUDED FROM THE TOTAL EXPOSURE MEASURE

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A1 ...

- (a) the *central bank claim* and liability are denominated in the same currency; ~~and~~
- (b) where applicable, the date of contractual maturity of the *central bank claim* is the same as, or is before, the date of contractual maturity of the liability; ~~and~~
- (c) where the *central bank claim* is represented by reserves in an *omnibus account*, the conditions in A2 are met.

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A2 The conditions relating to an *omnibus account* referred to in A1(c) are as follows.

- (a) There are effective legal, operational, risk management and governance arrangements relating to the *omnibus account*.
- (b) The arrangements ensure that:
  - (i) a *participant entity*'s entitlement to funds in the *omnibus account* is discrete from any other *participant entity*'s entitlement;
  - (ii) each *participant entity* always has access to details of such entitlement; and
  - (iii) the funds in the *omnibus account* to which a *participant entity* is entitled are not available to any other *participant entity* or any other *participant entity*'s creditors.

- (c) If a third-party holds the *omnibus account* on behalf of the *participant entities*, the arrangements ensure that the funds in the *omnibus account* are:
- (i) segregated from any other assets held by the third-party; and
  - (ii) not available to any creditors of the third-party (except insofar as the central bank can debit charges from the *omnibus account*).
- (d) If the central bank where the *omnibus account* is held can debit charges from the *omnibus account*, the arrangements ensure that:
- (i) each *participant entity* has access to details of the method of calculating its due portion of any charge levied by the central bank on the *omnibus account*;
  - (ii) the method of apportionment is not unfair or unreasonable; and
  - (iii) the central bank does not debit the funds in the *omnibus account* to which a *participant entity* is entitled with an amount greater than the total of:
    - (1) the *participant entity*'s due portion of the charges in respect of the *omnibus account*; and
    - (2) if the central bank can also deduct charges relating to any other account that the *participant entity* holds at the central bank, the amount of any such due charges.
- (e) If the *omnibus account* is used for the purpose of settling obligations between *participant entities* through a *payment system*, the arrangements ensure that the *participant entities*' balances in the *payment system* are always fully funded with funds held in the *omnibus account*.
- (f) If the *omnibus account* is used as part of the operation of a *payment system* (whether for the purpose of settlement or otherwise), the *payment system* is subject to oversight, including through oversight of any *operator* of such *payment system*, by a regulatory body in the jurisdiction of the central bank, in accordance with the *Principles for Financial Market Infrastructures*.
- (g) The requirements in Liquidity Coverage Ratio (CRR) Articles 7(2) and 8(2) are met in respect of the funds held by or on behalf of the *firm* in the *omnibus account*.

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## Annex C

## Amendments to the Disclosure (CRR) Part

In this Annex new text is underlined and deleted text is struck through.

## 1 APPLICATIONS AND DEFINITIONS

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1.2 In this Part, the following definitions shall apply:

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*average exposure measure*

means the average *total exposure measure* calculated in accordance with Articles 451(4)(a) ~~or 451(5)~~ of Chapter 4, ~~as applicable~~.

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~~*central bank claim*~~

~~means the following exposures of a *firm* to a central bank, provided these are denominated in the national currency of such *central bank*;~~

~~(1) banknotes and coins constituting legal currency in the jurisdiction of the *central bank*;~~

~~(2) reserves held by a *firm* at the *central bank*; and~~

~~(3) any assets representing debt claims on the *central bank* with a maturity of no longer than 3 months.~~

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## 4 DISCLOSURE (PART EIGHT CRR)

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### TITLE II TECHNICAL CRITERIA ON TRANSPARENCY AND DISCLOSURE

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#### ARTICLE 451 DISCLOSURE OF THE LEVERAGE RATIO

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4. Subject to paragraph 5:

(a) ~~for~~For the purposes of paragraph 2(a) an *LREQ firm* must calculate its *average exposure measure* for a quarter as the sum of:

(i) the arithmetic mean of the *firm's total exposure measure* in relation to on-balance sheet assets and securities financing transactions on each day in the quarter; and

(ii) the arithmetic mean of the *firm's total exposure measure* excluding on-balance sheet assets and securities financing transactions on the last day of each month in the quarter; and

(b) for the purposes of paragraphs 2(a)(b) and 3, an *LREQ firm* must calculate its *average leverage ratio* for a quarter as its capital measure divided by its exposure measure where the:

- (i) capital measure is the arithmetic mean of the *firm's tier 1 capital (leverage)* on the last day of each month in the quarter; and
- (ii) exposure measure is the sum derived in accordance with (a); ~~unless paragraph 5 applies in which case it shall be the sum derived in accordance with that paragraph.~~

5. ~~In relation to the quarterly periods up to 1 January 2023 an LREQ firm must calculate its average exposure measure for a quarter as the sum of:~~
- ~~(a) the arithmetic mean of the *firm's total exposure measure* in relation to on-balance sheet assets on each day in the quarter; and~~
  - ~~(b) the arithmetic mean of the *firm's total exposure measure* excluding on-balance sheet assets on the last day of each month in the quarter. [Deleted]~~

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## 6 PILLAR 3 TEMPLATES AND INSTRUCTIONS

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6.25 Annex XII can be found ~~here~~ [here](#).

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**Annex D**

**Amendments to the Reporting (CRR) Part**

In this Annex new text is underlined and deleted text is struck through.

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**6 TEMPLATES AND INSTRUCTIONS**

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**Annex XI**

6.255 Annex XI can be found ~~here~~ [here](#).

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