



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 881

Series of 2015

Subject: Implementing Guidelines on the Basel III Leverage Ratio Framework

The Monetary Board, in its Resolution No. 828 dated 21 May 2015, approved the implementing guidelines on the Leverage Ratio framework in accordance with the Basel III standards.

Section 1. The following subsection of the Manual of Regulations for Banks (MORB) is hereby added as follows:

"Subsection X115.6 Basel III Leverage Ratio Framework

a. The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage:

$$\text{Basel III Leverage Ratio (\%)} = \frac{\text{Capital Measure (Tier 1 Capital)}}{\text{Exposure Measure}}$$

The leverage ratio shall not be less than 5.0 percent computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The guidelines implementing the Basel III Leverage Ratio framework are provided in Appendix 111. The guidelines shall apply to universal banks (UBs) and commercial banks (KBs) and their subsidiary banks/quasi-banks (QBAs).

Starting 31 December 2014 and every quarter thereafter until 31 December 2016, concerned banks shall submit the Basel III Leverage Ratio reporting template, including required disclosure templates, on both solo and consolidated bases for monitoring purposes. For the periods ended 31 December 2014, 31 March 2015 and 30 June 2015, the reports shall be submitted within 30 banking days from 30 June 2015 on both solo and consolidated bases. For the succeeding quarters, the report shall be submitted semi-annually, each submission covering two quarters on both solo and consolidated bases. Report submission shall be 15 banking days and 30

banking days on solo and consolidated bases, respectively, from the end of the most recent reference quarter. The report submission is summarized below:

Report Date	Reference Date	Deadline of Submission
31 December 2014 31 March 2015 30 June 2015	30 June 2015	30 banking days on both solo and consolidated bases from end of reference date
30 September 2015 31 December 2015	31 December 2015	15 banking days on solo basis from end of reference date and 30 banking days on consolidated basis from end of reference date
31 March 2016 30 June 2016	30 June 2016	
30 September 2016 31 December 2016	31 December 2016	

Specific guidelines on the mode and manner of submission of the Basel III Leverage Ratio reporting and disclosure templates shall be covered by a separate memorandum issuance.

During the monitoring period, the BSP shall continue to assess the calibration as well as the treatment of the components of the leverage ratio. Final guidelines shall be issued in view of the changes to the framework as well as migration from monitoring of the leverage ratio to a Pillar 1 requirement starting 01 January 2017. Public disclosure of information relative to leverage ratio shall not be required during the monitoring period, i.e. 31 December 2014 to 31 December 2016.

b. Sanctions. Banks shall not be penalized on any breach on the 5.0 percent minimum leverage ratio during the monitoring period, i.e., 31 December 2014 to 31 December 2016. However, late and/or erroneous reports shall be subject to penalties provided under Subsection X192.2 of the MORB. Banks failing to submit the required reports within the prescribed deadlines shall be subject to monetary penalties applicable for delayed reporting under existing regulations. For purposes of imposing monetary penalties, the reports shall be classified as a Category A-1 report."

Section 2. The following subsection of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) is hereby added as follows:

"Subsection 4115Q.6 Basel III Leverage Ratio Framework

a. The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage:

$$\text{Basel III Leverage Ratio (\%)} = \frac{\text{Capital Measure (Tier 1 Capital)}}{\text{Exposure Measure}}$$

The leverage ratio shall not be less than 5.0 percent computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies).

The guidelines implementing the Basel III Leverage Ratio framework are provided in Appendix Q-65. The guidelines shall apply to subsidiary quasi-banks (QBs) of universal banks (UBs) and commercial banks (KBs).

Starting 31 December 2014 and every quarter thereafter until 31 December 2016, concerned QBs shall submit the Basel III Leverage Ratio reporting template, including required disclosure templates, on both solo and consolidated bases for monitoring purposes. For the periods ended 31 December 2014, 31 March 2015 and 30 June 2015, the reports shall be submitted within 30 banking days from 30 June 2015 on both solo and consolidated bases. For the succeeding quarters, the report shall be submitted semi-annually, each submission covering two quarters on both solo and consolidated bases. Report submission shall be 15 banking days and 30 banking days on solo and consolidated bases, respectively, from the end of the most recent reference quarter. The report submission is summarized below:

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30 September 2015 31 December 2015	31 December 2015	15 banking days on solo basis from end of reference date and 30 banking days on consolidated basis from end of reference date
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Specific guidelines on the mode and manner of submission of the Basel III Leverage Ratio reporting and disclosure templates shall be covered by a separate memorandum issuance.

During the monitoring period, the BSP shall continue to assess the calibration as well as the treatment of the components of the leverage ratio. Final guidelines shall be issued in view of the changes to the framework as well as migration from monitoring of the leverage ratio to a Pillar 1 requirement starting 01 January 2017. Public disclosure of information relative to leverage ratio shall not be required during the monitoring period, i.e. 31 December 2014 to 31 December 2016.

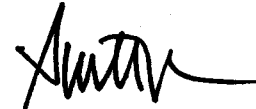
b. Sanctions. QBs shall not be penalized on any breach on the 5.0 percent minimum leverage ratio during the monitoring period, i.e., 31 December 2014 to 31 December 2016. However, late and/or erroneous reports shall be subject to

penalties provided under Subsection 4192Q.2 of the MORNBF. QBs failing to submit the required reports within the prescribed deadlines shall be subject to monetary penalties applicable for delayed reporting under existing regulations. For purposes of imposing monetary penalties, the reports shall be classified as a Category A-1 report."

Section 3. Appendix 6/Appendix Q-3 on reports required of banks/QBs in relation to Subsections X115.6/4115Q.6 of the MORB/MORNBF are hereby amended to reflect the required Basel III Leverage Ratio reporting and disclosure templates.

This circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:



AMANDO M. TETANGCO, JR.
Governor

9 June 2015

GUIDELINES ON THE IMPLEMENTATION OF THE BASEL III LEVERAGE RATIO FRAMEWORK

The BSP will adopt a leverage ratio framework that is designed to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio intends to:

- Restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy; and
- Reinforce the risk-based requirements with a simple, non-risk based “backstop” measure.

This framework is largely based on the document issued by the Basel Committee on Banking Supervision (“Basel Committee” or “BCBS”) released in January 2014 entitled “Basel III Leverage Ratio Framework and Disclosure Requirements”.

A. Definition, Minimum Requirement and Scope of Application

Leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), expressed as a percentage:

$$\text{Basel III Leverage Ratio (\%)} = \frac{\text{Tier 1 Capital}}{\text{Exposure Measure}}$$

The leverage ratio shall not be less than 5.0 percent and will be applied to all universal and commercial banks (U/KBs) and their subsidiary banks/quasi-banks (QBs) computed on both solo¹ and consolidated² bases, similar with the capital adequacy framework, i.e., computed on a daily basis and reported on a quarterly basis.

1. Capital Measure

The capital measure for the leverage ratio is Tier 1 capital calculated in accordance with Circular No. 781 dated 15 January 2013.

Tier 1 capital should be net of regulatory deductions³ applicable to Tier 1 capital. Items that are deducted completely from capital do not contribute to leverage, hence, should also be deducted from the exposure measure.

¹ Pertains to the reporting entity’s head office and branches

² Pertains to the reporting entity and its financial allied subsidiaries except insurance companies that are required to be consolidated on a line-by-line basis for the purpose of preparing consolidated financial statements

³ Refers to Regulatory Adjustments to CET1 Capital (Items A.2.1 to A.2.24) and Regulatory Adjustments to Additional Tier 1 (AT1) Capital (Items A.5.1 to A.5.8) of Part II (Qualifying Capital) of the Basel III CAR Template (Version 3).

2. Exposure Measure

a. General Measurement Principles in respect of the Exposure Measure

U/KBs and their subsidiary banks/QBs should generally follow the accounting value of exposure for the purposes of calculating the Exposure Measure for the leverage ratio, except that:

- On-balance sheet, non-derivative exposures are to be included in the Exposure Measure net of specific provisions; and
- Netting of loans and deposits is not allowed.

U/KBs and their subsidiary banks/QBs must not take account of physical or financial collateral, guarantees or other credit mitigation techniques to reduce the Exposure Measure.

b. Total Exposure Measure

The total Exposure Measure is computed as follows:

$$\begin{array}{rcl} & & \text{On-balance sheet exposures} \\ & & + \\ & & \text{Derivative exposures} \\ & & + \\ \text{Exposure Measure} = & & \text{Securities Financing Transaction (SFT) exposures} \\ & & + \\ & & \text{Off-balance sheet (OBS) items} \end{array}$$

The methods for calculating the Exposure Measure in respect of the above four main exposure categories are described in greater detail below.

1. On-balance sheet

For the purpose of calculating the Exposure Measure, the on-balance sheet exposure must include all on-balance sheet assets, gross of General Loan Loss Provisions (GLLP).

On-balance sheet derivatives and SFT assets are not to be included under On-Balance sheet exposures as they are subject to different treatment.

2. Derivatives

The Exposure Measure for derivative contracts⁴ consists of an exposure arising from the underlying of the derivative contract and a counterparty credit risk (CCR) exposure. In general, the Exposure Measure for derivatives is calculated as follows:

⁴ This approach makes reference to the Current Exposure Method (CEM) which is used under the Basel II framework to calculate the CCR exposure amounts associated with derivative exposures. The Basel Committee is considering alternatives to the CEM. If an alternative approach is adopted as a replacement for the CEM, Basel Committee will consider whether that alternative approach is appropriate in the context of the need to capture both types of exposures created by derivatives.

$$\begin{array}{rcl}
 & \text{Replacement Cost (RC)} & \\
 & + & \\
 \text{Exposure Measure} & = & \text{Potential Future Exposure (PFE)} \\
 \text{for Derivatives} & & + \\
 & \text{Adjustments for Written Credit Derivatives} &
 \end{array}$$

Where:

RC = Positive mark-to-market value of the contract (or zero if the mark-to-market value is zero or negative);

*PFE*⁵ = This represents an add-on arising from the potential exposure over the remaining life of the contract calculated by multiplying the notional principal amount of the contract to the appropriate potential future credit conversion factor; and

Adjustments for Written Credit Derivatives = effective notional amount⁶ referenced by the written credit derivative

In the computation of the PFE, the following add-on factors shall apply to financial derivatives, based on residual maturity:

Residual Maturity	Interest Rate Contract	Exchange Rate Contract	Equity Contract
One (1) year or less	0.0 percent	1.0 percent	6.0 percent
Over 1 year to five (5) years	0.5 percent	5.0 percent	8.0 percent
Over 5 years	1.5 percent	7.5 percent	10.0 percent

For contracts with multiple exchanges of principal, the factors are to be multiplied by the number of remaining payments in the contract. For contracts that are structured to settle outstanding exposure following specified payment dates and where the terms are reset such that the market value of the contract is zero on these specified dates, the residual maturity would be set equal to the time until the next reset date, and in the case of interest rate contracts with remaining maturities of more than one (1) year that meet these criteria, the potential future CCF is subject to a floor of 0.5 percent.

For credit derivatives, which refer to credit default swaps (CDS), total return swaps (TRS) and credit-linked notes (CLN), two approaches shall be applied, as follows:

⁵ No potential future credit exposure shall be calculated for single currency floating/floating interest rate swaps, the credit exposure on these contracts would be evaluated solely on the basis of their mark-to-market valuation.

⁶ For credit derivative contracts where the stated notional amount differs from the effective notional amount, banks/non-banks must use the greater of the effective notional amount and the notional amount. The effective notional amount is obtained by adjusting the notional amount to reflect the true exposure of contracts that are leveraged or otherwise enhanced by the structure of the transaction.

- a) For single-name credit derivatives, a 5.0 percent add-on factor for the computation of the potential future credit exposure shall be used by both protection buyers and protection sellers if the reference obligation is rated as investment grade by at least two credit rating agencies i.e. rated Baa or higher by Moody's and BBB or higher by Standard & Poor's. A 10.0 percent add-on factor applies to all other reference obligations. However, a protection seller in a CDS shall only be subject to the add-on factor if it is subject to closeout upon the insolvency of the protection buyer while the underlying is still solvent. The add-on in this case should be capped to the amount of unpaid premiums.
- b) With regard to multiple name derivatives, where the credit derivative is a first to default transaction, the add-on will be determined by the lowest credit quality underlying in the basket (i.e., if there are any non-investment grade or unrated items in the basket), the 10.0 percent add-on should be used. For second and subsequent nth-to- default transactions, underlying assets should continue to be allocated according to the credit quality (i.e., the second lowest credit quality will determine the add-on for a second or nth-to-default transaction respectively). On the other hand, where the credit derivative is referenced proportionately to multiple obligations, the add-on factor will follow the add-on factor applicable to the obligation with the biggest share. If the protection is equally proportioned, the highest add-on factor should be used.

Written Credit Derivatives

In addition to the CCR exposure arising from the fair value of the contracts, written credit derivatives⁷ create a notional credit exposure arising from the creditworthiness of the reference entity. As such, written credit derivatives shall be treated consistently with cash instruments (i.e., loans, bonds) for the purposes of the exposure measure.

In order to capture the credit exposure to the underlying reference entity, the effective notional amount⁸ referenced by a written credit derivative is incorporated into the Exposure Measure. However, the effective notional amount of a written credit derivative may be reduced by any negative change in fair value amount that has been incorporated into the calculation of Tier 1 capital with respect to the written credit derivative. The resulting amount may be further reduced by the effective notional amount of a purchased credit derivative on the same reference name⁹, provided:

⁷ Written credit derivatives refer to credit default swaps, total return swaps and credit-link notes where banks act as guarantor.

⁸ For credit derivative contracts where the stated notional amount differs from the effective notional amount, banks/non-banks must use the greater of the effective notional amount from the notional amount. The effective notional amount is obtained by adjusting the notional amount to reflect the true exposure of contracts that are leveraged or otherwise enhanced by the structure of the transaction.

⁹ Two reference names are considered identical only if they refer to the same legal entity.

- The credit protection purchased on a reference obligation which ranks pari passu with or is junior to the underlying reference obligation of the written credit derivative in the case of single name credit derivatives; and
- The remaining maturity of the credit protection purchased is equal to or greater than the remaining maturity of the written credit derivative.

The Exposure Measure of a written credit derivative may be overstated by the inclusion in the Exposure Measure of both (1) PFE representing counterparty credit exposure and (2) effective notional amount representing reference entity exposure. To avoid double counting, a PFE of zero is assigned to a written credit derivative whose effective notional amount is already included in the Exposure Measure. Hence, the total exposure measure for written credit derivatives equals RC and the its corresponding effective notional amount.

3. Securities Financing Transactions (SFTs)

SFTs are transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing and margin lending transactions, where the value of the transactions depends on market valuation and the transactions are often subject to margin agreements.

- For bank/non-bank acting as principal, the Exposure Measure calculations for SFTs shall be computed as follows:

Exposure Measure for SFTs = Adjusted SFT Assets + Counterparty Credit Risk Exposure (E)

Where:

Adjusted SFT Assets = the gross SFT assets¹⁰ recognized for accounting purposes (i.e., with no recognition of accounting netting) will be adjusted to exclude the value of any securities received under an SFT, where the bank has recognized the securities as an asset on its balance sheet¹¹.

Counterparty Credit Risk Exposure (E) = the measure of CCR is calculated as the current exposure (i.e., without PFE) with respect of the SFT.

The current exposure for transactions with a counterparty must be calculated on a transaction by transaction basis: that is, each individual SFT is treated as its own netting set, computed as the difference between the fair value of securities and cash lent to a counterparty for a transaction and the fair value of securities and cash received to a counterparty for a transaction. In other words, it shall follow the formula:

$$E = \max, \{0, [E_i - C_i]\}$$

Where:

E_i = cash and the fair value of securities lent to a counterparty for a transaction, and

¹⁰ For SFT assets subject to novation, "gross SFT assets recognized for accounting purposes" are replaced by the final contractual exposure, given that pre-existing contracts have been replaced by new legal obligations through the novation process.

¹¹ Gross SFT assets recognized for accounting purposes must not recognize any accounting netting of cash payables against cash receivables (e.g., under the Philippine Accounting Standards).

C_i = cash and the fair value of securities received from a counterparty for a transaction.

- b. If a bank/non-bank acting as an agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any *difference* between the value of the security or cash the customer has lent and the value of the collateral the borrower has provided, the bank/non-bank should include in its Exposure Measure only the measure for Counterparty Credit Risk Exposure (E). Otherwise, the treatment when the bank is acting as a principal shall be applied.

4. Off-balance sheet (OBS) items

The leverage ratio exposure measure for Off-balance sheet (OBS) items is generally calculated by multiplying the notional amount of the OBS item by a credit conversion factor (CCF), as follows:

- a. 100 percent CCF – this shall apply to OBS securitization exposures except an eligible liquidity facility or an eligible servicer cash advance facility, direct credit substitutes, e.g., general guarantees of indebtedness (including standby letters of credit serving as financial guarantees for loans and securities) and acceptances (including endorsements with the character of acceptances) as follows:
 - Guarantees issued other than shipside bonds/airway bills;
 - Financial standby letters of credit
- b. 50 percent CCF – this shall apply to OBS securitization exposures that qualify as eligible liquidity facilities¹² and certain transaction-related contingent items, e.g., performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions) as follows:
 - Performance standby letters of credit (net of margin deposits), established as a guarantee that a business transaction will be performed;
 - Note issuance facilities (NIFs) and revolving underwriting facilities (RUFs); and
 - Other commitments, e.g., formal standby facilities, commitments with an original maturity over one year and Underwritten Accounts Unsold.
- c. 20 percent CCF – this shall apply to short-term self-liquidating trade letters of credit arising from the movement of goods¹³, e.g., documentary credits collateralized by the underlying shipments, such as:
 - Trade-related guarantees:
 - Shipperside bonds / airway bills
 - Letters of credit – confirmed
 - Sight letters of credit outstanding (net of margin deposit);
 - Usance letters of credit outstanding (net of margin deposit);
 - Deferred letters of credit (net of margin deposit); and
 - Revolving letters of credit (net of margin deposit) arising from movements of goods and/or services; and
 - Commitments with an original maturity up to one year.

¹² These OBS securitization exposures must meet the definition and minimum requirements under Circular No. 538 dated 4 August 2006.

¹³ Applied to both issuing and confirming banks

- d. 10 percent CCF – this shall apply to commitments that are unconditionally cancellable at any time by the bank without prior notice (i.e., Credit Card Lines), undrawn servicer cash advances or facility¹⁰ or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness.

This shall also apply to those not involving credit risk, as follows:

- Spot foreign exchange contracts (bought and sold)
- Late deposits / payments received;
- Inward bills for collection;
- Outward bills for collection;
- Travelers' checks unsold;
- Deficiency claims receivable; and
- Others.

B. Reporting and Disclosure Requirements

Starting 31 December 2014 and every quarter thereafter until 31 December 2016, concerned banks/QBs shall submit the Basel III Leverage Ratio reporting template (*Annex 1*) on both solo and consolidated bases for monitoring. The report shall use the prescribed forms and submit to the appropriate department of the SES. For the periods ended 31 December 2014, 31 March 2015 and 30 June 2015, the reports shall be submitted within 30 banking days from 30 June 2015 on both solo and consolidated bases. For the succeeding quarters, the report shall be submitted semi-annually, each submission covering two quarters on both solo and consolidated bases. Report submission shall be 15 banking days and 30 banking days on solo and consolidated bases, respectively, from the end of the most recent reference quarter. The report submission is summarized below:

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Upon migration to a Pillar 1 requirement, the Basel III Leverage Ratio report shall be submitted along with the Basel III CAR report (Version 3)¹⁴.

The Basel III Leverage Ratio reporting template shall be composed of four parts:

- Part I - Calculation of Basel III Leverage Ratio
- Part II - Derivative Exposures
- Part III - Securities and Financing Transactions
- Part IV - Off-Balance Sheet Items

¹⁴Issued under Memorandum M-2014-044 dated 24 November 2014

In addition to the reporting template to be submitted to the BSP, banks will be required to publicly disclose their Basel III leverage ratio on both solo and consolidated bases. The public disclosure requirements (**Annex 2**) include:

- a summary comparison table that provides a banks' total accounting assets amounts and leverage ratio exposures;
- a common disclosure template that provides a breakdown of the main leverage ratio regulatory elements;
- a reconciliation requirement that details the source(s) of material differences between banks' total balance sheet assets in their financial statements and on-balance sheet exposures in the common disclosure template; and
- other disclosures (i.e., material period changes in the leverage ratio from the end of the previous reporting period to the end of the current reporting period)

The public disclosure requirements could be made either through inclusion of the requirements in the bank's published financial statements or, at a minimum, provide a link to the complete disclosures on the banks' websites or publicly available regulatory reports. An ongoing archive of all the reconciliation templates, disclosure templates and explanatory tables relating to prior periods must be made available by banks in their website or through publicly available regulatory reports. Irrespective of the location of the disclosure (bank websites or publicly available regulatory reports), all disclosures must be made according to the defined templates.

At a minimum, three items must be publicly disclosed in the quarterly published balance sheet: (i) the numerator (Tier 1 capital); (ii) the denominator (exposure measure); and (iii) the Basel III Leverage Ratio.

DEADLINE: 15 banking days after
end of reference
quarter (solo basis)

30 banking days after
end of reference
quarter (consolidated basis)

SUBMISSION: Original copy to the
Supervisory Data Center (SDC)

FOR UNIVERSAL BANKS/COMMERCIAL BANKS
AND ALL THEIR SUBSIDIARY BANKS/QUASI-BANKS

(Name of Bank)	(Code)
(Address)	

BASEL III LEVERAGE RATIO REPORT

As of _____ (Quarter-End)

REPUBLIC OF THE PHILIPPINES)
_____) S.S.

We solemnly swear that all matters set forth in this report and all its supporting schedules are true and correct, to the best of my knowledge and belief.

(Signature of Chief Risk Officer)

(Signature of Chief Finance Officer)

(Signature of President/Senior/
Executive Vice President)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of
_____, 20____, affiants exhibiting to me their
Community Tax Certificates, to wit:

<u>Name</u>	<u>CTC No.</u>	<u>Date/Place Issued</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Notary Public
Until December 31, 20____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

Name of Bank _____
BASEL III LEVERAGE RATIO REPORT
As of _____

PART I. CALCULATION OF BASEL III LEVERAGE RATIO

Item	Nature of Item	Reference	Amount
A. CAPITAL MEASURE			
A.1	Tier 1 Capital	Revised Basel III CAR Report Part II (Item A.7)	
B. EXPOSURE MEASURE (Sum of B.1, B.2, B.3 and B.4)			
B.1	Total On-balance sheet exposures (B.1.1 minus B.1.2)		
B.1.1	On-balance sheet items ^{1/}		
B.1.2	Regulatory Adjustments ^{2/}		
B.2	Total Derivative exposures (Sum of B.2.1 to B.2.3)	Part II	
B.2.1	Replacement Cost associated with all derivatives transactions	Part II - Item 5 - Column b	
B.2.2	Add-on amounts for potential future exposure associated with all derivative transactions	Part II - Item 5 - Column d	
B.2.3	Adjusted effective notional amount of written credit derivatives	Part II - Sum of Items 4.a.ii and 4.b.ii - Column a	
B.3	Total Securities Financing Transaction (SFT) exposures (Sum of B.3.1 and B.3.2)	Part III	
B.3.1	Gross SFT assets (with no recognition of netting)	Part III - Item 2 - Column a	
B.3.2	CCR exposures for SFT assets	Part III - Item 2 - Column b	
B.4	Off-balance Sheet Exposures	Part IV - Item 2 - OBS Exposures column	
C. BASEL III LEVERAGE RATIO (Ratio of A to B)			

^{1/} Gross of General Loan Loss Provision (GLLP) and excluding derivatives and SFTs

^{2/} Deductions from Basel III Tier 1 capital are excluded from the leverage ratio exposure measure

Name of Bank _____
BASEL III LEVERAGE RATIO REPORT
As of _____

PART II. DERIVATIVE EXPOSURES

Item	Nature of Item	Notional Amount ^{1/} (a)	Replacement Cost (M- to-M valuation, if positive) (b)	Appropriate Potential Future CCF (c)	Potential Future Exposure ^{2/} (d) = (a) x (c)	Total exposure ^{3/} (f) = (b) + (d)
1.	Interest Rate Contracts (Sum of items 1.a to 1.c) ^{4/}					
	a. With a residual maturity of 1 year or less			0.0%		
	b. With a residual maturity of more than 1 year to 5 years			0.5%		
	c. With a residual maturity of more than 5 years			1.5%		
2.	Exchange Rate Contracts (Sum of items 2.a to 2.d) ^{4/}					
	a. With original maturity of 14 calendar days or less			1.0%		
	b. With a residual maturity of 1 year or less			1.0%		
	c. With a residual maturity of more than 1 year to 5 years			5.0%		
	d. With a residual maturity of more than 5 years			7.5%		
3.	Equity Contracts (Sum of items 3.a to 3.c) ^{4/}					
	a. With a residual maturity of 1 year or less			6.0%		
	b. With a residual maturity of more than 1 year to 5 years			8.0%		
	c. With a residual maturity of more than 5 years			10.0%		
4.	Credit Derivatives (Sum of items 4.a and 4.b) ^{5/}					
	a. With reference obligation that has an external credit of at least BBB- or its equivalent (Sum of items 4.a.i and 4.a.ii)					
	a.i Bank as Beneficiary			5.0%		
	a.ii Bank as Guarantor ^{6/}			5.0%		
	b. With reference obligation that has an external credit of lower than BBB- or unrated (Sum of items 4.b.i and 4.b.ii)					
	b.i Bank as Beneficiary			10.0%		
	b.ii Bank as Guarantor ^{6/}			10.0%		
5.	Total Derivatives Exposure (Sum of item 1 to 4)					

- 1/ For credit derivatives where the bank acts as a guarantor (i.e., written credit derivatives), amount should be based on effective rather than apparent notional amounts. The effective notional amount is obtained by adjusting the notional amount to reflect the true exposure of contracts that are leveraged or otherwise enhanced by the structure of the transaction.
- 2/ No potential future credit exposure shall be calculated for single currency floating/floating interest rate swaps, the credit exposure on these contracts would be evaluated solely on the basis of their mark-to-market valuation.
- 3/ For credit derivatives where the bank acts as the guarantor (i.e., written credit derivatives), total exposure is equal to the sum of the effective notional amount (a) and replacement cost (b). The Exposure Measure of a written credit derivative may be overstated by the inclusion in the Exposure Measure of both (1) PFE representing counterparty credit exposure and (2) effective notional amount representing reference entity exposure. To avoid double counting, a PFE of zero is assigned to a written credit derivative whose effective notional amount is already included in the Exposure Measure.
- 4/ For contracts with multiple exchanges of principal, the factors are to be multiplied by the number of remaining payments in the contract. For contracts that are structured to settle outstanding exposure following specified payment dates and where the terms are reset such that the market value of the contract is zero on these specified dates, the residual maturity would be set equal to the time until the next reset date, and in the case of interest rate contracts with remaining maturities of more than one (1) year that meet these criteria, the potential future CCF is subject to a floor of 0.5%.
- 5/ For single-name credit derivatives: a 5.0 percent add-on factor for the computation of the potential future credit exposure shall be used by both protection buyers and protection sellers if the reference obligation is issued by a public sector entity (PSE) or a multilateral development bank (MDB) or has an external credit rating of at least BBB- or its equivalent. A 10.0 percent add-on factor applies to all other reference obligations. However, a protection seller in a CDS shall only be subject to the add-on factor if it is subject to closeout upon the insolvency of the protection buyer while the underlying is still solvent. The add-on in this case should be capped to the amount of unpaid premiums.
- With regard to multiple name derivatives, where the credit derivative is a first to default transaction, the add-on will be determined by the lowest credit quality underlying in the basket (i.e., if there are any non-investment grade or unrated items in the basket), the 10.0 percent add-on should be used. For second and subsequent nth-to-default transactions, underlying assets should continue to be allocated according to the credit quality (i.e., the second lowest credit quality will determine the add-on for a second or nth-to-default transaction respectively). On the other hand, where the credit derivative is referenced proportionately to multiple obligations, the add-on factor will follow the add-on factor applicable for the obligation with the biggest share. If the protection is equally proportioned, the highest add-on factor should be used.
- Where the credit derivative is referenced proportionately to multiple obligations, the add-on factor will follow the add-on factor applicable for the obligation with the biggest share. If the protection is equally proportioned, the highest add-on factor should be used.
- 6/ This refers to written credit derivatives. If applicable, the effective notional amount of a written credit derivative may be reduced by any negative change in fair value amount that has been incorporated into the calculation of Tier 1 capital with respect to the written credit derivative. The resulting amount may be further reduced by the effective notional amount of a purchased credit derivative on the same reference name, provided: the credit protection purchased on a reference obligation which ranks pari passu with or is junior to the underlying reference obligation of the written credit derivatives; and the remaining maturity of the credit protection purchased is equal to or greater than the remaining maturity of the written credit derivative.

Name of Bank _____
 BASEL III LEVERAGE RATIO REPORT
 As of _____

PART III. SECURITIES FINANCING TRANSACTIONS EXPOSURES

Item	Gross SFT assets 1/ recognised for accounting purposes (ie with no recognition of accounting netting) (a)	Counterparty Credit Exposure for SFT assets 2/ (b)	Total exposures (c) = (a) + (b)
1. Securities and Financing Transactions			
a. Repurchase agreements			
i. Seller			
ii. Buyer			
b. Securities lending and borrowing (Sum of i and ii)			
i. Securities Lending			
ii. Securities Borrowing			
2. Total Securities Financing Transaction (SFT) exposures (Sum of a to b)			

1/ For SFT assets subject to novation and cleared through qualifying central counterparties (QCCP), "gross SFT assets recognised for accounting purposes" are replaced by the final contractual exposure, given that pre-existing contracts have been replaced by new legal obligations through the novation process. As defined in BIS paper entitled *Capital requirements for bank exposures to central counterparties (July 2012)*, a QCCP is an entity that is licensed to operate as a CCP (including a license granted by way of confirming an exemption), and is permitted by the appropriate regulator/overseer to operate as such with respect to the products offered. This is subject to the provision that the CCP is based and prudentially supervised in a jurisdiction where the relevant regulator/overseer has established, and publicly indicated that it applies to the CCP on an ongoing basis, domestic rules and regulations that are consistent with the CPSS-IOSCO Principles for Financial Market Infrastructures.

2/ The current exposure for transactions with a counterparty must be calculated on a transaction by transaction basis: that is, each transaction is treated as its own netting set (i.e., computed as cash payables less cash receivables of each transaction but must not be less than zero).

Name of Bank _____
BASEL III LEVERAGE RATIO REPORT
As of _____

PART IV. OTHER OFF-BALANCE SHEET (OBS) EXPOSURES

Item	Nature of Item	Gross Notional Amount	CCF (%)	OBS Exposures
1.	Other off-balance sheet (OBS) exposure			
a.	Other OBS items with 10% CCF (Sum of 1 to 5)			
(1)	Credit card lines		10%	
(2)	Other commitments which can be cancelled at any time by the bank without prior notice		10%	
(3)	Other contingent accounts not involving credit risk (Sum of a to g)			
(a)	Spot foreign exchange contracts (bought and sold)		10%	
(b)	Late deposits/payments received		10%	
(c)	Inward bills for collection		10%	
(d)	Outward bills for collection		10%	
(e)	Travelers' checks unsold		10%	
(f)	Deficiency claims receivable		10%	
(g)	Others		10%	
(4)	Undrawn eligible servicer cash advance facilities that are unconditionally cancellable without prior notice		10%	
(5)	Others		10%	
b.	Other OBS items with 20% CCF (Sum of 1 to 12)			
(1)	Trade related guarantees – LCs confirmed		20%	
(2)	Trade related guarantees – shipside bonds/airway bills		20%	
(3)	Sight LCs - domestic (net of margin deposit)		20%	
(4)	Sight LCs - foreign (net of margin deposit)		20%	
(5)	Usance LCs - domestic (net of margin deposit)		20%	
(6)	Usance LCs - foreign (net of margin deposit)		20%	
(7)	Deferred LCs - domestic (net of margin deposit)		20%	
(8)	Deferred LCs - foreign (net of margin deposit)		20%	
(9)	Revolving LCs - domestic (net of margin deposit) arising from movement of goods and/or services		20%	
(10)	Revolving LCs - foreign (net of margin deposit) arising from movement of goods and/or services		20%	
(11)	Other commitments with an original maturity of up to 1 year (Sum of a to b)			
(a)	Committed credit lines for commercial papers issued		20%	
(b)	Others		20%	
(12)	Others		20%	
c.	Other OBS items with 50% CCF (Sum of 1 to 6)			
(1)	Performance Standby LCs – domestic (net of margin deposit) established as a guarantee that a business transaction will be performed		50%	
(2)	Performance Standby LCs – foreign (net of margin deposit) established as a guarantee that a business transaction will be performed		50%	
(3)	Note issuance facilities and revolving underwriting facilities		50%	
(4)	Other Commitments e.g. formal standby facilities and credit lines with maturity of more than 1 year and including Underwritten Accounts Unsold (Sum of a to b)			
(a)	Underwritten Accounts Unsold		50%	
(b)	Others (please specify)		50%	
(5)	Eligible liquidity facilities		50%	
(6)	Others		50%	
d.	Other OBS items with 100% CCF (Sum of 1 to 5)			
(1)	Guarantees issued		100%	
(2)	Financial standby letters of credit - domestic		100%	
(3)	Financial standby letters of credit - foreign		100%	
(4)	Other Off-Balance Sheet Securitization Exposures		100%	
(5)	Others		100%	
2.	Total Other Off-Balance Sheet Exposures (Sum of a to d)			

BANK NAME

Summary comparison of accounting assets vs leverage ratio exposure measure

As of _____

Amounts in Million Pesos

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

1/ Refers to total on-balance sheet assets per quarterly published balance sheet

2/ Not included under the framework

3/ Sum of Items 1 to 7. Should be consistent with item 21 of the Basel III Leverage Ratio Common Disclosure Template

BANK NAME

Basel III Leverage Ratio Common Disclosure Template

As of _____

Amounts in Million Pesos; Ratios in Percent

Item	Leverage Ratio Framework
1 On-balance sheet items ^{1/}	
2 (Asset amounts deducted in determining Basel III Tier 1 Capital)	
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	
4 Replacement Cost associated with all derivatives transactions	
5 Add-on amounts for Potential Future Exposure associated with all derivative transactions	
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework ^{2/}	
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions) ^{2/}	
8 (Exempted CCP leg of client-cleared trade exposures) ^{2/}	
9 Adjusted effective notional amount of written credit derivatives	
10 (Adjusted effective offsets and add-on deductions for written credit derivatives)	
11 Total derivative exposures (sum of lines 4 to 10)	
12 Gross SFT assets (with no recognition of netting)	
13 (Netted amounts of cash payables and cash receivables of gross SFT assets) ^{2/}	
14 CCR exposures for SFT assets	
15 Agent transaction exposures ^{3/}	
16 Total securities financing transaction exposures (sum of lines 12 to 15)	
17 Off-balance sheet exposure at gross notional amount	
18 (Adjustments for conversion to credit equivalent amounts)	
19 Off-balance sheet items	
20 Total off-balance sheet items	
21 Total exposures (sum of lines 3, 11, 16 and 19)	
22 Basel III Leverage Ratio	

1/ Gross of General Loan Loss Provision (GLLP) and excluding derivatives and SFTs

2/ Not included under the framework

3/ When a bank/non-bank acting as an agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any difference between the value of the security or cash the customer has lent and the value of the collateral the borrower has provided

Explanatory Table for Common Disclosure Template^{1/}

Item ^{2/}	Explanation ^{3/}
1	On-balance sheet assets according to <u>Item A.2.b.1.</u>
2	Deductions from Basel III Tier 1 capital determined by <u>Item A.1 paragraph 2</u> excluded from the leverage ratio exposure measure, reported as negative amounts.
3	Sum of lines 1 and 2.
4	Replacement Cost (RC) determined by <u>Item A.2.b.2.</u>
5	Add-on amount for all derivative exposures according to <u>Item A.2.b.2 paragraphs 2-4.</u>
9	Adjusted effective notional amount (i.e., the effective notional amount reduced by any negative change in fair value) for written credit derivatives according to <u>Item A.2.b.2 paragraphs 5-6.</u>
10	Adjusted effective notional offsets of written credit derivatives according to paragraph <u>Item A.2.b.2 paragraphs 5-6</u> and deducted add-on amounts relating to written credit derivatives according to <u>Item A.2.b.2 paragraph 7</u> , reported as negative amounts, if applicable.
11	Sum of lines 4 - 10.
12	Gross SFT assets with no recognition of netting other than novation as set out in footnote 9, removing certain securities received as determined by <u>Item A.2.b.3.a.</u>
13	Cash payables and cash receivables of gross SFT assets netted according to <u>Item A.2.b.3.a</u> , reported as negative amounts.
14	Measure of counterparty credit risk for SFTs as determined by <u>Item A.2.b.3.a.</u>
15	Agent transaction exposure amount determined according to <u>Item A.2.b.3.b.</u>
16	Sum of lines 12-15.
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors according to <u>Item A.2.b.4.</u>
18	Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in <u>Item A.2.b.4.</u>
19	Sum of lines 17-18.
20	Tier 1 capital as determined by <u>Item A.1.</u>
21	Sum of lines 3, 11, 16 and 19.
22	Basel III leverage ratio according to <u>Item A.</u>

1/ Individual banks/QBs need not disclose the explanatory table.

2/ Only items which are applicable are retained from the BIS prescribed template. However, row numbering remains unchanged for easy mapping with the BIS prescribed template.

3/ Refers to appropriate items in the Guidelines on the Implementation of the Basel III Leverage Ratio Framework (Appendix 111).

GUIDELINES ON THE IMPLEMENTATION OF THE BASEL III LEVERAGE RATIO FRAMEWORK

The BSP will adopt a leverage ratio framework that is designed to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio intends to:

- Restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy; and
- Reinforce the risk-based requirements with a simple, non-risk based “backstop” measure.

This framework is largely based on the document issued by the Basel Committee on Banking Supervision (“Basel Committee” or “BCBS”) released in January 2014 entitled “Basel III Leverage Ratio Framework and Disclosure Requirements”.

A. Definition, Minimum Requirement and Scope of Application

Leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), expressed as a percentage:

$$\text{Basel III Leverage Ratio (\%)} = \frac{\text{Tier 1 Capital}}{\text{Exposure Measure}}$$

The leverage ratio shall not be less than 5.0 percent and will be applied to all universal and commercial banks (U/KBs) and their subsidiary banks/quasi-banks (QBs) computed on both solo¹ and consolidated² bases, similar with the capital adequacy framework, i.e., computed on a daily basis and reported on a quarterly basis.

1. Capital Measure

The capital measure for the leverage ratio is Tier 1 capital calculated in accordance with Circular No. 781 dated 15 January 2013.

Tier 1 capital should be net of regulatory deductions³ applicable to Tier 1 capital. Items that are deducted completely from capital do not contribute to leverage, hence, should also be deducted from the exposure measure.

¹ Pertains to the reporting entity's head office and branches

² Pertains to the reporting entity and its financial allied subsidiaries except insurance companies that are required to be consolidated on a line-by-line basis for the purpose of preparing consolidated financial statements

³ Refers to Regulatory Adjustments to CET1 Capital (Items A.2.1 to A.2.24) and Regulatory Adjustments to Additional Tier 1 (AT1) Capital (Items A.5.1 to A.5.8) of Part II (Qualifying Capital) of the Basel III CAR Template (Version 3).

2. Exposure Measure

a. General Measurement Principles in respect of the Exposure Measure

U/KBs and their subsidiary banks/QBs should generally follow the accounting value of exposure for the purposes of calculating the Exposure Measure for the leverage ratio, except that:

- On-balance sheet, non-derivative exposures are to be included in the Exposure Measure net of specific provisions; and
- Netting of loans and deposits is not allowed.

U/KBs and their subsidiary banks/QBs must not take account of physical or financial collateral, guarantees or other credit mitigation techniques to reduce the Exposure Measure.

b. Total Exposure Measure

The total Exposure Measure is computed as follows:

$$\begin{array}{rcl} & & \text{On-balance sheet exposures} \\ & & + \\ & & \text{Derivative exposures} \\ & & + \\ \text{Exposure Measure} = & & \text{Securities Financing Transaction (SFT) exposures} \\ & & + \\ & & \text{Off-balance sheet (OBS) items} \end{array}$$

The methods for calculating the Exposure Measure in respect of the above four main exposure categories are described in greater detail below.

1. On-balance sheet

For the purpose of calculating the Exposure Measure, the on-balance sheet exposure must include all on-balance sheet assets, gross of General Loan Loss Provisions (GLLP).

On-balance sheet derivatives and SFT assets are not to be included under On-Balance sheet exposures as they are subject to different treatment.

2. Derivatives

The Exposure Measure for derivative contracts⁴ consists of an exposure arising from the underlying of the derivative contract and a counterparty credit risk (CCR) exposure. In general, the Exposure Measure for derivatives is calculated as follows:

⁴ This approach makes reference to the Current Exposure Method (CEM) which is used under the Basel II framework to calculate the CCR exposure amounts associated with derivative exposures. The Basel Committee is considering alternatives to the CEM. If an alternative approach is adopted as a replacement for the CEM, Basel Committee will consider whether that alternative approach is appropriate in the context of the need to capture both types of exposures created by derivatives.

$$\begin{array}{rcl}
 & \text{Replacement Cost (RC)} & \\
 & + & \\
 \text{Exposure Measure} & = & \text{Potential Future Exposure (PFE)} \\
 \text{for Derivatives} & & + \\
 & \text{Adjustments for Written Credit Derivatives} &
 \end{array}$$

Where:

RC = Positive mark-to-market value of the contract (or zero if the mark-to-market value is zero or negative);

*PFE*⁵ = This represents an add-on arising from the potential exposure over the remaining life of the contract calculated by multiplying the notional principal amount of the contract to the appropriate potential future credit conversion factor; and

Adjustments for Written Credit Derivatives = effective notional amount⁶ referenced by the written credit derivative

In the computation of the PFE, the following add-on factors shall apply to financial derivatives, based on residual maturity:

Residual Maturity	Interest Rate Contract	Exchange Rate Contract	Equity Contract
One (1) year or less	0.0 percent	1.0 percent	6.0 percent
Over 1 year to five (5) years	0.5 percent	5.0 percent	8.0 percent
Over 5 years	1.5 percent	7.5 percent	10.0 percent

For contracts with multiple exchanges of principal, the factors are to be multiplied by the number of remaining payments in the contract. For contracts that are structured to settle outstanding exposure following specified payment dates and where the terms are reset such that the market value of the contract is zero on these specified dates, the residual maturity would be set equal to the time until the next reset date, and in the case of interest rate contracts with remaining maturities of more than one (1) year that meet these criteria, the potential future CCF is subject to a floor of 0.5 percent.

For credit derivatives, which refer to credit default swaps (CDS), total return swaps (TRS) and credit-linked notes (CLN), two approaches shall be applied, as follows:

⁵ No potential future credit exposure shall be calculated for single currency floating/floating interest rate swaps, the credit exposure on these contracts would be evaluated solely on the basis of their mark-to-market valuation.

⁶ For credit derivative contracts where the stated notional amount differs from the effective notional amount, banks/non-banks must use the greater of the effective notional amount and the notional amount. The effective notional amount is obtained by adjusting the notional amount to reflect the true exposure of contracts that are leveraged or otherwise enhanced by the structure of the transaction.

- a) For single-name credit derivatives, a 5.0 percent add-on factor for the computation of the potential future credit exposure shall be used by both protection buyers and protection sellers if the reference obligation is rated as investment grade by at least two credit rating agencies i.e. rated Baa or higher by Moody's and BBB or higher by Standard & Poor's. A 10.0 percent add-on factor applies to all other reference obligations. However, a protection seller in a CDS shall only be subject to the add-on factor if it is subject to closeout upon the insolvency of the protection buyer while the underlying is still solvent. The add-on in this case should be capped to the amount of unpaid premiums.
- b) With regard to multiple name derivatives, where the credit derivative is a first to default transaction, the add-on will be determined by the lowest credit quality underlying in the basket (i.e., if there are any non-investment grade or unrated items in the basket), the 10.0 percent add-on should be used. For second and subsequent nth-to- default transactions, underlying assets should continue to be allocated according to the credit quality (i.e., the second lowest credit quality will determine the add-on for a second or nth-to-default transaction respectively). On the other hand, where the credit derivative is referenced proportionately to multiple obligations, the add-on factor will follow the add-on factor applicable to the obligation with the biggest share. If the protection is equally proportioned, the highest add-on factor should be used.

Written Credit Derivatives

In addition to the CCR exposure arising from the fair value of the contracts, written credit derivatives⁷ create a notional credit exposure arising from the creditworthiness of the reference entity. As such, written credit derivatives shall be treated consistently with cash instruments (i.e., loans, bonds) for the purposes of the exposure measure.

In order to capture the credit exposure to the underlying reference entity, the effective notional amount⁸ referenced by a written credit derivative is incorporated into the Exposure Measure. However, the effective notional amount of a written credit derivative may be reduced by any negative change in fair value amount that has been incorporated into the calculation of Tier 1 capital with respect to the written credit derivative. The resulting amount may be further reduced by the effective notional amount of a purchased credit derivative on the same reference name⁹, provided:

⁷ Written credit derivatives refer to credit default swaps, total return swaps and credit-link notes where banks act as guarantor.

⁸ For credit derivative contracts where the stated notional amount differs from the effective notional amount, banks/non-banks must use the greater of the effective notional amount from the notional amount. The effective notional amount is obtained by adjusting the notional amount to reflect the true exposure of contracts that are leveraged or otherwise enhanced by the structure of the transaction.

⁹ Two reference names are considered identical only if they refer to the same legal entity.

- The credit protection purchased on a reference obligation which ranks pari passu with or is junior to the underlying reference obligation of the written credit derivative in the case of single name credit derivatives; and
- The remaining maturity of the credit protection purchased is equal to or greater than the remaining maturity of the written credit derivative.

The Exposure Measure of a written credit derivative may be overstated by the inclusion in the Exposure Measure of both (1) PFE representing counterparty credit exposure and (2) effective notional amount representing reference entity exposure. To avoid double counting, a PFE of zero is assigned to a written credit derivative whose effective notional amount is already included in the Exposure Measure. Hence, the total exposure measure for written credit derivatives equals RC and the its corresponding effective notional amount.

3. Securities Financing Transactions (SFTs)

SFTs are transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing and margin lending transactions, where the value of the transactions depends on market valuation and the transactions are often subject to margin agreements.

- For bank/non-bank acting as principal, the Exposure Measure calculations for SFTs shall be computed as follows:

Exposure Measure for SFTs = Adjusted SFT Assets + Counterparty Credit Risk Exposure (E)

Where:

Adjusted SFT Assets = the gross SFT assets¹⁰ recognized for accounting purposes (i.e., with no recognition of accounting netting) will be adjusted to exclude the value of any securities received under an SFT, where the bank has recognized the securities as an asset on its balance sheet¹¹.

Counterparty Credit Risk Exposure (E) = the measure of CCR is calculated as the current exposure (i.e., without PFE) with respect of the SFT.

The current exposure for transactions with a counterparty must be calculated on a transaction by transaction basis: that is, each individual SFT is treated as its own netting set, computed as the difference between the fair value of securities and cash lent to a counterparty for a transaction and the fair value of securities and cash received to a counterparty for a transaction. In other words, it shall follow the formula:

$$E = \max, \{0, [E_i - C_i]\}$$

Where:

E_i = cash and the fair value of securities lent to a counterparty for a transaction, and

¹⁰ For SFT assets subject to novation, "gross SFT assets recognized for accounting purposes" are replaced by the final contractual exposure, given that pre-existing contracts have been replaced by new legal obligations through the novation process.

¹¹ Gross SFT assets recognized for accounting purposes must not recognize any accounting netting of cash payables against cash receivables (e.g., under the Philippine Accounting Standards).

C_i = cash and the fair value of securities received from a counterparty for a transaction.

- b. If a bank/non-bank acting as an agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any *difference* between the value of the security or cash the customer has lent and the value of the collateral the borrower has provided, the bank/non-bank should include in its Exposure Measure only the measure for Counterparty Credit Risk Exposure (E). Otherwise, the treatment when the bank is acting as a principal shall be applied.

4. Off-balance sheet (OBS) items

The leverage ratio exposure measure for Off-balance sheet (OBS) items is generally calculated by multiplying the notional amount of the OBS item by a credit conversion factor (CCF), as follows:

- a. 100 percent CCF – this shall apply to OBS securitization exposures except an eligible liquidity facility or an eligible servicer cash advance facility, direct credit substitutes, e.g., general guarantees of indebtedness (including standby letters of credit serving as financial guarantees for loans and securities) and acceptances (including endorsements with the character of acceptances) as follows:
 - Guarantees issued other than shipside bonds/airway bills;
 - Financial standby letters of credit
- b. 50 percent CCF – this shall apply to OBS securitization exposures that qualify as eligible liquidity facilities¹² and certain transaction-related contingent items, e.g., performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions) as follows:
 - Performance standby letters of credit (net of margin deposits), established as a guarantee that a business transaction will be performed;
 - Note issuance facilities (NIFs) and revolving underwriting facilities (RUFs); and
 - Other commitments, e.g., formal standby facilities, commitments with an original maturity over one year and Underwritten Accounts Unsold.
- c. 20 percent CCF – this shall apply to short-term self-liquidating trade letters of credit arising from the movement of goods¹³, e.g., documentary credits collateralized by the underlying shipments, such as:
 - Trade-related guarantees:
 - Shipline bonds / airway bills
 - Letters of credit – confirmed
 - Sight letters of credit outstanding (net of margin deposit);
 - Usance letters of credit outstanding (net of margin deposit);
 - Deferred letters of credit (net of margin deposit); and
 - Revolving letters of credit (net of margin deposit) arising from movements of goods and/or services; and
 - Commitments with an original maturity up to one year.

¹² These OBS securitization exposures must meet the definition and minimum requirements under Circular No. 538 dated 4 August 2006.

¹³ Applied to both issuing and confirming banks

- d. 10 percent CCF – this shall apply to commitments that are unconditionally cancellable at any time by the bank without prior notice (i.e., Credit Card Lines), undrawn servicer cash advances or facility¹⁰ or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness.

This shall also apply to those not involving credit risk, as follows:

- Spot foreign exchange contracts (bought and sold)
- Late deposits / payments received;
- Inward bills for collection;
- Outward bills for collection;
- Travelers' checks unsold;
- Deficiency claims receivable; and
- Others.

B. Reporting and Disclosure Requirements

Starting 31 December 2014 and every quarter thereafter until 31 December 2016, concerned banks/QBs shall submit the Basel III Leverage Ratio reporting template (*Annex 1*) on both solo and consolidated bases for monitoring. The report shall use the prescribed forms and submit to the appropriate department of the SES. For the periods ended 31 December 2014, 31 March 2015 and 30 June 2015, the reports shall be submitted within 30 banking days from 30 June 2015 on both solo and consolidated bases. For the succeeding quarters, the report shall be submitted semi-annually, each submission covering two quarters on both solo and consolidated bases. Report submission shall be 15 banking days and 30 banking days on solo and consolidated bases, respectively, from the end of the most recent reference quarter. The report submission is summarized below:

Report Date	Reference Date	Deadline of Submission
31 December 2014 31 March 2015 30 June 2015	30 June 2015	30 banking days on both solo and consolidated bases from end of reference date
30 September 2015 31 December 2015	31 December 2015	15 banking days on solo basis from end of reference date and 30 banking days on consolidated basis from end of reference date
31 March 2016 30 June 2016	30 June 2016	
30 September 2016 31 December 2016	31 December 2016	

Upon migration to a Pillar 1 requirement, the Basel III Leverage Ratio report shall be submitted along with the Basel III CAR report (Version 3)¹⁴.

The Basel III Leverage Ratio reporting template shall be composed of four parts:

- Part I - Calculation of Basel III Leverage Ratio
- Part II - Derivative Exposures
- Part III - Securities and Financing Transactions
- Part IV - Off-Balance Sheet Items

¹⁴Issued under Memorandum M-2014-044 dated 24 November 2014

In addition to the reporting template to be submitted to the BSP, banks will be required to publicly disclose their Basel III leverage ratio on both solo and consolidated bases. The public disclosure requirements (**Annex 2**) include:

- a summary comparison table that provides a banks' total accounting assets amounts and leverage ratio exposures;
- a common disclosure template that provides a breakdown of the main leverage ratio regulatory elements;
- a reconciliation requirement that details the source(s) of material differences between banks' total balance sheet assets in their financial statements and on-balance sheet exposures in the common disclosure template; and
- other disclosures (i.e., material period changes in the leverage ratio from the end of the previous reporting period to the end of the current reporting period)

The public disclosure requirements could be made either through inclusion of the requirements in the bank's published financial statements or, at a minimum, provide a link to the complete disclosures on the banks' websites or publicly available regulatory reports. An ongoing archive of all the reconciliation templates, disclosure templates and explanatory tables relating to prior periods must be made available by banks in their website or through publicly available regulatory reports. Irrespective of the location of the disclosure (bank websites or publicly available regulatory reports), all disclosures must be made according to the defined templates.

At a minimum, three items must be publicly disclosed in the quarterly published balance sheet: (i) the numerator (Tier 1 capital); (ii) the denominator (exposure measure); and (iii) the Basel III Leverage Ratio.

DEADLINE: 15 banking days after
end of reference
quarter (solo basis)

30 banking days after
end of reference
quarter (consolidated basis)

SUBMISSION: Original copy to the
Supervisory Data Center (SDC)

FOR UNIVERSAL BANKS/COMMERCIAL BANKS
AND ALL THEIR SUBSIDIARY BANKS/QUASI-BANKS

(Name of Bank)	(Code)
(Address)	

BASEL III LEVERAGE RATIO REPORT

As of _____ (Quarter-End)

REPUBLIC OF THE PHILIPPINES)

_____) S.S.

We solemnly swear that all matters set forth in this report and all its supporting schedules are true and correct, to the best of my knowledge and belief.

(Signature of Chief Risk Officer)

(Signature of Chief Finance Officer)

(Signature of President/Senior/
Executive Vice President)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of
_____, 20____, affiants exhibiting to me their
Community Tax Certificates, to wit:

<u>Name</u>	<u>CTC No.</u>	<u>Date/Place Issued</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Notary Public
Until December 31, 20____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

Name of Bank
BASEL III LEVERAGE RATIO REPORT
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PART I. CALCULATION OF BASEL III LEVERAGE RATIO

Item	Nature of Item	Reference	Amount
A. CAPITAL MEASURE			
A.1	Tier 1 Capital	Revised Basel III CAR Report Part II (Item A.7)	
B. EXPOSURE MEASURE (Sum of B.1, B.2, B.3 and B.4)			
B.1	Total On-balance sheet exposures (B.1.1 minus B.1.2)		
B.1.1	On-balance sheet items ^{1/}		
B.1.2	Regulatory Adjustments ^{2/}		
B.2	Total Derivative exposures (Sum of B.2.1 to B.2.3)	Part II	
B.2.1	Replacement Cost associated with all derivatives transactions	Part II - Item 5 - Column b	
B.2.2	Add-on amounts for potential future exposure associated with all derivative transactions	Part II - Item 5 - Column d	
B.2.3	Adjusted effective notional amount of written credit derivatives	Part II - Sum of Items 4.a.ii and 4.b.ii - Column a	
B.3	Total Securities Financing Transaction (SFT) exposures (Sum of B.3.1 and B.3.2)	Part III	
B.3.1	Gross SFT assets (with no recognition of netting)	Part III - Item 2 - Column a	
B.3.2	CCR exposures for SFT assets	Part III - Item 2 - Column b	
B.4	Off-balance Sheet Exposures	Part IV - Item 2 - OBS Exposures column	
C. BASEL III LEVERAGE RATIO (Ratio of A to B)			

^{1/} Gross of General Loan Loss Provision (GLLP) and excluding derivatives and SFTs

^{2/} Deductions from Basel III Tier 1 capital are excluded from the leverage ratio exposure measure

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PART II. DERIVATIVE EXPOSURES

Item	Nature of Item	Notional Amount ^{1/} (a)	Replacement Cost (M to-M valuation, if positive) (b)	Appropriate Potential Future CCF (c)	Potential Future Exposure ^{2/} (d) = (a) x (c)	Total exposure ^{3/} (f) = (b) + (d)
1.	Interest Rate Contracts (Sum of items 1.a to 1.c) ^{4/}					
	a. With a residual maturity of 1 year or less			0.0%		
	b. With a residual maturity of more than 1 year to 5 years			0.5%		
	c. With a residual maturity of more than 5 years			1.5%		
2.	Exchange Rate Contracts (Sum of items 2.a to 2.d) ^{4/}					
	a. With original maturity of 14 calendar days or less					
	b. With a residual maturity of 1 year or less			1.0%		
	c. With a residual maturity of more than 1 year to 5 years			1.0%		
	d. With a residual maturity of more than 5 years			5.0%		
3.	Equity Contracts (Sum of items 3.a to 3.c) ^{4/}					
	a. With a residual maturity of 1 year or less			7.5%		
	b. With a residual maturity of more than 1 year to 5 years			6.0%		
	c. With a residual maturity of more than 5 years			8.0%		
4.	Credit Derivatives (Sum of items 4.a and 4.b) ^{5/}					
	a. With reference obligation that has an external credit of at least BBB- or its equivalent (Sum of items 4.a.i and 4.a.ii)			10.0%		
	a.i. Bank as Beneficiary					
	a.ii. Bank as Guarantor ^{6/}			5.0%		
	b. With reference obligation that has an external credit of lower than BBB- or unrated (Sum of items 4.b.i and 4.b.ii)			5.0%		
	b.i. Bank as Beneficiary					
	b.ii. Bank as Guarantor ^{6/}			10.0%		
5.	Total Derivatives Exposure (Sum of item 1 to 4)			10.0%		

1/ For credit derivatives where the bank acts as a guarantor (i.e., written credit derivatives), amount should be based on effective rather than apparent notional amounts. The effective notional amount is obtained by adjusting the notional amount to reflect the true exposure of contracts that are leveraged or otherwise enhanced by the structure of the transaction.

2/ No potential future credit exposure shall be calculated for single currency floating/floating interest rate swaps, the credit exposure on these contracts would be evaluated solely on the basis of their mark-to-market valuation.

3/ For credit derivatives where the bank acts as the guarantor (i.e., written credit derivatives), total exposure is equal to the sum of the effective notional amount (a) and replacement cost (b). The Exposure Measure of a written credit derivative may be overstated by the inclusion in the Exposure Measure of both (1) PFE representing counterparty credit exposure and (2) effective notional amount representing reference entity exposure. To avoid double counting, a PFE of zero is assigned to a written credit derivative whose effective notional amount is already included in the Exposure Measure.

4/ For contracts with multiple exchanges of principal, the factors are to be multiplied by the number of remaining payments in the contract. For contracts that are structured to settle outstanding exposure following specified payment dates and where the terms are reset such that the market value of the contract is zero on these specified dates, the residual maturity would be set equal to the time until the next reset date, and in the case of interest rate contracts with remaining maturities of more than one (1) year that meet these criteria, the potential future CCF is subject to a floor of 0.5%.

5/ For single-name credit derivatives, a 5.0 percent add-on factor for the computation of the potential future credit exposure shall be used by both protection buyers and protection sellers if the reference obligation is issued by a public sector entity (PSE) or a multilateral development bank (MDB) or has an external credit rating of at least BBB- or its equivalent. A 10.0 percent add-on factor applies to all other reference obligations. However, a protection seller in a CDS shall only be subject to the add-on factor if it is subject to closeout upon the insolvency of the protection buyer while the underlying is still solvent. The add-on in this case should be capped to the amount of unpaid premiums.

With regard to multiple name derivatives, where the credit derivative is a first to default transaction, the add-on will be determined by the lowest credit quality underlying in the basket (i.e., if there are any non-investment grade or unrated items in the basket), the 10.0 percent add-on should be used. For second and subsequent nth-to-default transactions, underlying assets should continue to be allocated according to the credit quality (i.e., the second lowest credit quality will determine the add-on for a second or nth-to-default transaction respectively). On the other hand, where the credit derivative is referenced proportionately to multiple obligations, the add-on factor will follow the add-on factor applicable for the obligation with the biggest share. If the protection is equally proportioned, the highest add-on factor should be used.

Where the credit derivative is referenced proportionately to multiple obligations, the add-on factor will follow the add-on factor applicable for the obligation with the biggest share. If the protection is equally proportioned, the highest add-on factor should be used.

6/ This refers to written credit derivatives. If applicable, the effective notional amount of a written credit derivative may be reduced by any negative change in fair value amount that has been incorporated into the calculation of Tier 1 capital with respect to the written credit derivative. The resulting amount may be further reduced by the effective notional amount of a purchased credit derivative on the same reference name, provided: the credit protection purchased on a reference obligation which ranks pari passu with or is junior to the underlying reference obligation of the written credit derivatives; and the remaining maturity of the credit protection purchased is equal to or greater than the remaining maturity of the written credit derivative.

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PART III. SECURITIES FINANCING TRANSACTIONS EXPOSURES

Item	Gross SFT assets 1/ recognised for accounting purposes (ie with no recognition of accounting netting) (a)	Counterparty Credit Exposure for SFT assets 2/ (b)	Total exposures (c) = (a) + (b)
1. Securities and Financing Transactions			
a. Repurchase agreements			
i. Seller			
ii. Buyer			
b. Securities lending and borrowing (Sum of i and ii)			
i. Securities Lending			
ii. Securities Borrowing			
2. Total Securities Financing Transaction (SFT) exposures (Sum of a to b)			

1/ For SFT assets subject to novation and cleared through qualifying central counterparties (QCCP), "gross SFT assets recognised for accounting purposes" are replaced by the final contractual exposure, given that pre-existing contracts have been replaced by new legal obligations through the novation process. As defined in BIS paper entitled *Capital requirements for bank exposures to central counterparties* (July 2012), a QCCP is an entity that is licensed to operate as a CCP (including a license granted by way of confirming an exemption), and is permitted by the appropriate regulator/overseer to operate as such with respect to the products offered. This is subject to the provision that the CCP is based and prudentially supervised in a jurisdiction where the relevant regulator/overseer has established, and publicly indicated that it applies to the CCP on an ongoing basis, domestic rules and regulations that are consistent with the CPSS-IOSCO Principles for Financial Market Infrastructures.

2/ The current exposure for transactions with a counterparty must be calculated on a transaction by transaction basis: that is, each transaction is treated as its own netting set (i.e., computed as cash payables less cash receivables of each transaction but must not be less than zero).

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PART IV. OTHER OFF-BALANCE SHEET (OBS) EXPOSURES

Item	Nature of Item	Gross Notional Amount	CCF (%)	OBS Exposures
1.	Other off-balance sheet (OBS) exposure			
a.	Other OBS items with 10% CCF (Sum of 1 to 5)			
(1)	Credit card lines		10%	
(2)	Other commitments which can be cancelled at any time by the bank without prior notice		10%	
(3)	Other contingent accounts not involving credit risk (Sum of a to g)			
(a)	Spot foreign exchange contracts (bought and sold)		10%	
(b)	Late deposits/payments received		10%	
(c)	Inward bills for collection		10%	
(d)	Outward bills for collection		10%	
(e)	Travelers' checks unsold		10%	
(f)	Deficiency claims receivable		10%	
(g)	Others		10%	
(4)	Undrawn eligible servicer cash advance facilities that are unconditionally cancellable without prior notice		10%	
(5)	Others		10%	
b.	Other OBS items with 20% CCF (Sum of 1 to 12)			
(1)	Trade related guarantees – LCs confirmed		20%	
(2)	Trade related guarantees – shipside bonds/airway bills		20%	
(3)	Sight LCs - domestic (net of margin deposit)		20%	
(4)	Sight LCs - foreign (net of margin deposit)		20%	
(5)	Usance LCs - domestic (net of margin deposit)		20%	
(6)	Usance LCs - foreign (net of margin deposit)		20%	
(7)	Deferred LCs - domestic (net of margin deposit)		20%	
(8)	Deferred LCs - foreign (net of margin deposit)		20%	
(9)	Revolving LCs - domestic (net of margin deposit) arising from movement of goods and/or services		20%	
(10)	Revolving LCs - foreign (net of margin deposit) arising from movement of goods and/or services		20%	
(11)	Other commitments with an original maturity of up to 1 year (Sum of a to b)			
(a)	Committed credit lines for commercial papers issued		20%	
(b)	Others		20%	
(12)	Others		20%	
c.	Other OBS items with 50% CCF (Sum of 1 to 6)			
(1)	Performance Standby LCs – domestic (net of margin deposit) established as a guarantee that a business transaction will be performed		50%	
(2)	Performance Standby LCs – foreign (net of margin deposit) established as a guarantee that a business transaction will be performed		50%	
(3)	Note issuance facilities and revolving underwriting facilities		50%	
(4)	Other Commitments e.g. formal standby facilities and credit lines with maturity of more than 1 year and including Underwritten Accounts Unsold (Sum of a to b)			
(a)	Underwritten Accounts Unsold		50%	
(b)	Others (please specify)		50%	
(5)	Eligible liquidity facilities		50%	
(6)	Others		50%	
d.	Other OBS items with 100% CCF (Sum of 1 to 5)			
(1)	Guarantees issued		100%	
(2)	Financial standby letters of credit - domestic		100%	
(3)	Financial standby letters of credit - foreign		100%	
(4)	Other Off-Balance Sheet Securitization Exposures		100%	
(5)	Others		100%	
2.	Total Other Off-Balance Sheet Exposures (Sum of a to d)			

BANK NAME

Summary comparison of accounting assets vs leverage ratio exposure measure

As of _____

Amounts in Million Pesos

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

1/ Refers to total on-balance sheet assets per quarterly published balance sheet

2/ Not included under the framework

3/ Sum of Items 1 to 7. Should be consistent with item 21 of the Basel III Leverage Ratio Common Disclosure Template

BANK NAME

Basel III Leverage Ratio Common Disclosure Template

As of _____

Amounts in Million Pesos; Ratios in Percent

Item		Leverage Ratio Framework
1	On-balance sheet items ^{1/}	
2	(Asset amounts deducted in determining Basel III Tier 1 Capital)	
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	
4	Replacement Cost associated with all derivatives transactions	
5	Add-on amounts for Potential Future Exposure associated with all derivative transactions	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework ^{2/}	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions) ^{2/}	
8	(Exempted CCP leg of client-cleared trade exposures) ^{2/}	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	
12	Gross SFT assets (with no recognition of netting)	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets) ^{2/}	
14	CCR exposures for SFT assets	
15	Agent transaction exposures ^{3/}	
16	Total secondaries and agent transaction exposures (sum of lines 12 to 15)	
17	Off-balance sheet exposure at gross notional amount	
18	(Adjustments for conversion to credit equivalent amounts)	
19	Off-balance sheet items	
20	Not included	
21	Total exposure: SFT of lines 12 to 15 and 19	
22	Total exposure: off-balance sheet	

1/ Gross of General Loan Loss Provision (GLLP) and excluding derivatives and SFTs

2/ Not included under the framework

3/ When a bank/non-bank acting as an agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any difference between the value of the security or cash the customer has lent and the value of the collateral the borrower has provided

Explanatory Table for Common Disclosure Template^{1/}

Item ^{2/}	Explanation ^{3/}
1	On-balance sheet assets according to <u>Item A.2.b.1.</u>
2	Deductions from Basel III Tier 1 capital determined by <u>Item A.1 paragraph 2</u> excluded from the leverage ratio exposure measure, reported as negative amounts.
3	Sum of lines 1 and 2.
4	Replacement Cost (RC) determined by <u>Item A.2.b.2.</u>
5	Add-on amount for all derivative exposures according to <u>Item A.2.b.2 paragraphs 2-4.</u>
9	Adjusted effective notional amount (i.e., the effective notional amount reduced by any negative change in fair value) for written credit derivatives according to <u>Item A.2.b.2 paragraphs 5-6.</u>
10	Adjusted effective notional offsets of written credit derivatives according to paragraph <u>Item A.2.b.2 paragraphs 5-6</u> and deducted add-on amounts relating to written credit derivatives according to <u>Item A.2.b.2 paragraph 7</u> , reported as negative amounts, if applicable.
11	Sum of lines 4 - 10.
12	Gross SFT assets with no recognition of netting other than novation as set out in footnote 9, removing certain securities received as determined by <u>Item A.2.b.3.a.</u>
13	Cash payables and cash receivables of gross SFT assets netted according to <u>Item A.2.b.3.a</u> , reported as negative amounts.
14	Measure of counterparty credit risk for SFTs as determined by <u>Item A.2.b.3.a.</u>
15	Agent transaction exposure amount determined according to <u>Item A.2.b.3.b.</u>
16	Sum of lines 12-15.
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors according to <u>Item A.2.b.4.</u>
18	Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in <u>Item A.2.b.4.</u>
19	Sum of lines 17-18.
20	Tier 1 capital as determined by <u>Item A.1.</u>
21	Sum of lines 3, 11, 16 and 19.
22	Basel III leverage ratio according to <u>Item A.</u>

1/ Individual banks/QBs need not disclose the explanatory table.

2/ Only items which are applicable are retained from the BIS prescribed template. However, row numbering remains unchanged for easy mapping with the BIS prescribed template.

3/ Refers to appropriate items in the Guidelines on the Implementation of the Basel III Leverage Ratio Framework (Appendix Q-65).