

Leverage ratio (CRR) part

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Chapter content

1	Application and definitions	3
2	Level of application	4
3	Leverage ratio	4
	Article 429 Calculation of the leverage ratio	4
	Article 429a Exposures excluded from the total exposure measure	5
	Article 429b Calculation of the exposure value of assets	9
	Article 429c Calculation of the exposure value of derivatives	10
	Article 429d Additional Provisions on the Calculation of the Exposure Value of Written Credit Derivatives	12
	Article 429e Counterparty credit risk add-on for securities financing transactions	14
	Article 429f Calculation of the exposure value of off-balance sheet items	16
	Article 429g Calculation of the exposure value of regular-way purchases and sales Awaiting settlement	17

1 Application and definitions

1.1 This Part applies when a JIB is calculating its **Leverage Ratio**, or components of its **Leverage Ratio**

1.2 In this Part, the following definitions shall apply:

Clearing Member

means a clearing member as defined in point (14) of Article 2 of Regulation (EU) No 648/2012

Client

means a client as defined in point (15) of Article 2 of Regulation (EU) No 648/ 2012 or an undertaking that has established **Indirect Clearing Arrangements** with a **Clearing Member** in accordance with Article 4(3) of that Regulation

Deposit

has the meaning given in the Table of Part 2 of Annex II to Regulation (EU) No 1071/2013 of the European Central Bank of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector as it had effect immediately before IP completion Day.

Higher-Level Client

means an entity providing clearing services to a **Lower-Level Client**

Indirect Clearing Arrangement

means an arrangement that meets the conditions set out in the second subparagraph of Article 4(3) of Regulation (EU) No 648/2012

Long Settlement Transactions

means transactions where a counterparty undertakes to deliver a security, a commodity, or a foreign exchange amount against cash, other financial instruments, or commodities, or vice versa, at a settlement or delivery date specified by contract that is later than the market standard for this particular type of transaction or five business days after the date on which the JIB enters into the transaction, whichever is earlier.

Lower-Level Client

means an entity accessing the services of a central counterparty through a higher-level Client.

Multi-Level Client Structure

means an **Indirect Clearing Arrangement** under which clearing services are provided to a JIB by an entity which is not a **Clearing Member**, but is itself a **Client** of a **Clearing Member** or of a **Higher-Level Client**

Net Independent Collateral Amount

means the sum of the volatility-adjusted value of net collateral received or posted, as applicable, to the netting set other than variation margin.

Original Exposure Method

means the method set out in Section 5 of Chapter 3 of the PRA Counterparty Credit Risk (CRR) Part.

Participant Entity

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

PRA Counterparty Credit Risk (CRR) Part

Means the Counterparty Credit Risk (CRR) Part of the PRA's rulebook.

Simplified Standardised Approach For Counterparty Credit Risk

means the method set out in Section 4 of Chapter 3 of the PRA Counterparty Credit Risk (CRR) Part.

Standardised Approach For Counterparty Credit Risk

means the method set out in Section 3 of Chapter 3 of the PRA Counterparty Credit Risk (CRR) Part.

2 Level of application

- 2.1 A JIB must comply with this Part on the basis of its consolidated position, unless the JFSC has agreed a variance different in accordance with the Risk-Based Capital Requirements Parts.

3 Leverage ratio (Part 7 CRR)

Article 429 Calculation of the leverage ratio

1. JIBs shall calculate their Leverage Ratio in accordance with the methodology set out in paragraphs 2, 3 and 4.
2. The Leverage Ratio shall be calculated as a JIB's capital measure divided by that JIB's Total Exposure Measure and shall be expressed as a percentage.
3. For the purposes of paragraph 2, the capital measure shall be Tier 1 Capital (Leverage).
4. For the purposes of paragraph 2, the Total Exposure Measure shall be the sum of the exposure values of:
 - a) assets, excluding derivative contracts listed in Annex II of the CRR, credit derivatives and the add-ons for counterparty credit risk for securities financing transactions referred to in Article 429e of this Chapter, calculated in accordance with Article 429b(1) of this Chapter.
 - b) derivative contracts listed in Annex II of the CRR and credit derivatives, including those contracts and credit derivatives that are off-balance-sheet, calculated in accordance with Articles 429c and 429d of this Chapter;
 - c) add-ons for counterparty credit risk of securities financing transactions, including those that are off-balance-sheet, calculated in accordance with Article 429e of this Chapter;
 - d) off-balance-sheet items, excluding derivative contracts listed in Annex II of the CRR, credit derivatives, securities financing transactions and positions referred to in Articles 429d and 429g of this Chapter, calculated in accordance with Article 429f of this Chapter; and
 - e) regular-way purchases or sales awaiting settlement, calculated in accordance with Article 429 of this Chapter.

JIBs shall treat Long Settlement Transactions in accordance with points (a) to (d) of the first subparagraph, as applicable.

JIBs may reduce the exposure values referred to in points (a) and (d) of the first subparagraph by the corresponding amount of general credit risk adjustments to on- and off-balance-sheet items, respectively, subject to a floor of 0 where the credit risk adjustments have reduced the Tier 1 Capital (Leverage).

5. Point (d) of paragraph 4 applies subject to the following provisions:
 - (a) an off-balance-sheet item in accordance with point (d) of paragraph 4 that is treated as a derivative in accordance with the applicable accounting framework shall be subject to the treatment set out in point (b) of that paragraph.
 - (b) where a Client of a JIB acting as a Clearing Member enters directly into a derivative transaction with a central counterparty and the JIB guarantees the performance of its Client's trade exposures to the central counterparty arising from that transaction, the JIB shall calculate its exposure resulting from the guarantee in accordance with point (b) of paragraph 4, as if that JIB had entered directly into the transaction with the Client, including with regard to the receipt or provision of cash variation margin.

The treatment set out in point (b) of the first subparagraph shall also apply to a JIB acting as a Higher-Level Client that guarantees the performance of its client's trade exposures.

For the purposes of point (b) of the first subparagraph and of the second subparagraph of this paragraph, JIBs may consider an affiliated entity as a Client only where that entity is outside the regulatory scope of consolidation at the level at which the requirement set out in point (d) of Article 92(3) of the CRR is applied.

6. For the purposes of point (e) of paragraph 4 of this Article and Article 429g of this Chapter, 'regular-way purchase or sale' means a purchase or a sale of a security under contracts for which the terms require delivery of the security within the period established generally by law or convention in the marketplace concerned.
7. Unless otherwise expressly provided for in this Part, JIBs shall calculate the total exposure measure in accordance with the following principles:
 - (a) physical or financial collateral, guarantees or credit risk mitigation purchased shall not be used to reduce the total exposure measure;
 - (b) assets shall not be netted with liabilities.

Article 429a Exposures excluded from the total exposure measure

A1 By way of derogation from Article 429(4) of this Chapter, a Central Bank Claim of a JIB shall be netted off against a liability, provided that:

- (a) the Central Bank Claim and liability are denominated in the same currency;
- (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.

For the purposes of point (b) of the first subparagraph, and in relation to liabilities which are not Deposits, JIBs shall take into account existing options in determining the residual maturity of the liability in a prudent manner. JIBs shall do so on the assumption that the counterparty will redeem call options at the earliest possible date.

For options exercisable at the discretion of the JIB, the JIB shall take into account reputational factors that may limit a JIB's ability not to exercise the option, in particular market expectations that JIBs should redeem certain liabilities before their maturity.

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 Appendix E HQLA – General Requirements and Appendix F Operational Requirement of [Prudential Reporting of Liquidity Ratios for JIBS](#) are met in respect of the funds held by or on behalf of the JIB in the omnibus account.
1. By way of derogation from Article 429(4) of this Chapter, a JIB may exclude any of the following exposures from its Total Exposure Measure:
- (a) the amounts deducted from Common Equity Tier 1 items in accordance with point of Article 36(1) of Chapter 3 of the Own Funds and Eligible Liabilities (CRR) Part of the PRA;
 - (b) any items, other than liabilities, deducted in the calculation of the capital measure referred to in Article 429(3) of this Chapter;

With the exception of exposures giving rise to Common Equity Tier 1, Additional Tier 1 or Tier 2 items, a JIB may with the prior variance of the JFSC, assign a risk weight of 0% to the exposures of that JIB to a counterparty which is its parent undertaking, its subsidiary, a subsidiary of its parent undertaking or an undertaking linked by a common management relationship, to the extent and subject to any modifications set out in the variance.

When applying for such variance, a JIB shall demonstrate to the satisfaction of the JFSC that all the conditions set out in points (a) to (e) of Article 113(6) of the Credit risk: standardised approach (CRR) part are met and where the JFSC has given the approval laid down in Article 113(6) of the Credit risk: standardised approach (CRR) part.

- (c) [Note: Provision left blank]
- (d) [Note: Provision left blank]
- (e) [Note: Provision left blank]
- (f) where the JIB is a Clearing Member of a qualifying central counterparty, the trade exposures of that JIB, provided that they are cleared with that qualifying central counterparty and meet the conditions set out in point (c) of Article 306(1) of Chapter 3 of the PRA Counterparty Credit Risk (CRR) Part;
- (g) where the JIB is a Higher-Level Client within a Multi-Level Client Structure, the trade exposures to the Clearing Member or to an entity that serves as a Higher-Level Client to that JIB, provided that the conditions set out in Article 305(2) of Chapter 3 of the PRA Counterparty Credit Risk (CRR) Part are met and provided that the JIB is not obligated to reimburse its Client for any losses suffered in the event of default of

- either the Clearing Member or the qualifying central counterparty;
- (h) fiduciary assets which meet all the following conditions:
 - (i) they are recognised on the JIB's balance sheet;
 - (ii) they meet the criteria for non-recognition set out in International Financial Reporting Standard (IFRS) 9, as applied under UK-adopted international accounting standards;
 - (iii) they meet the criteria for non-consolidation set out in IFRS 10, as applied under UK-adopted international accounting standards, where applicable
- (i) exposures that meet all the following conditions:
 - (i) they are exposures to a public sector entity;
 - (ii) they are treated in accordance with Article 116 of the Credit risk: standardised approach (CRR) part
 - (iii) they arise from deposits that the JIB is legally obliged to transfer to the public sector entity referred to in point (i) for the purpose of funding general interest investments; provided that the JIB has requested and received a variance from the JFSC allowing this approach.
- (j) the excess collateral deposited at tri-party agents that has not been lent out;
- (k) where under the applicable accounting framework a JIB recognises the variation margin paid in cash to its counterparty as a receivable asset, the receivable asset, provided that the conditions set out in points (a) to (e) of Article 429c(3) of this Chapter are met;
- (l) the securitised exposures from traditional securitisations that meet the conditions for significant risk transfer set out in Article 244(2) of the Securitisations (CRR) Part;
- (m) [Note: Provision left blank]
- (n) [Note: Provision left blank]
- (o) [Note: Provision left blank]
- (p) loans made by the JIB pursuant to:
 - (i) the Bounce Back Loan scheme announced by Her Majesty's Government on 27 April 2020; or
 - (ii) schemes supporting lending to small and medium-sized businesses which are located in an EEA State in the course of the Coronavirus pandemic, provided that such loans were created before 1 January 2022, do not exceed €60,000 per loan and are subject to a 100% guarantee provided by an EEA State or central bank of an EEA State or the European Central Bank.

For the purposes of point (m) of the first subparagraph, JIBs shall include any retained exposure in the Total Exposure Measure.

4. JIBs shall not exclude the trade exposures referred to in points (g) and (h) of paragraph 1 of this Article, where the condition set out in the third subparagraph of Article 429(5) of this Chapter is not met.

Article 429b Calculation of the exposure value of assets

1. JIBs shall calculate the exposure value of assets, excluding derivative contracts listed in Annex II of the CRR, credit derivatives and the add-ons for counterparty credit risk for securities financing transactions referred to in Article 429e of this Chapter, in accordance with the following principles:
 - (a) the exposure values of assets means an exposure value as referred to in the first sentence of Article 111(1) of the Credit risk: standardised approach (CRR) part;
 - (b) securities financing transactions shall not be netted.
2. Subject to the remaining paragraphs of this Article, a cash pooling arrangement offered by a JIB does not violate the condition set out in point (b) of Article 429(7) of this Chapter only where the arrangement meets both of the following conditions:
 - (a) the JIB offering the cash pooling arrangement transfers the credit and debit balances of several individual accounts of entities of a group included in the arrangement ('original accounts') into a separate, single account and thereby sets the balances of the original accounts to zero;
 - (b) the JIB carries out the actions referred to in point (a) of this subparagraph on a daily basis.

For the purposes of this paragraph and paragraph 3, cash pooling arrangement means an arrangement whereby the credit or debit balances of several individual accounts are combined for the purposes of cash or liquidity management.

3. By way of derogation from paragraph 2 of this Article, a cash pooling arrangement that does not meet the condition set out in point (b) of that paragraph, but meets the condition set out in point (a) of that paragraph, does not violate the condition set out in point (b) of Article 429(7) of this Chapter, provided that the arrangement meets all the following conditions:
 - (a) the JIB has a legally enforceable right to set off the balances of the original accounts through the transfer into a single account at any point in time;
 - (b) there are no maturity mismatches between the balances of the original accounts;
 - (c) the JIB charges or pays interest based on the combined balance of the original accounts; the frequency by which the balances of all original accounts are transferred is adequate for the purpose of including only the combined balance of the cash pooling arrangement in the total exposure measure.

4. By way of derogation from point (b) of paragraph 1, JIBs may calculate the exposure value of cash receivable and cash payable under securities financing transactions with the same counterparty on a net basis only where all the following conditions are met:
 - (a) the transactions have the same explicit final settlement date;
 - (b) the right to set off the amount owed to the counterparty with the amount owed by the counterparty is legally enforceable in the normal course of business and in the event of default, insolvency and bankruptcy;
 - (c) the counterparties intend to settle on a net basis or to settle simultaneously, or the transactions are subject to a settlement mechanism that results in the functional equivalent of net settlement.
5. For the purposes of point (c) of paragraph 4, JIBs may consider that a settlement mechanism results in the functional equivalent of net settlement only where, on the settlement date, the net result of the cash flows of the transactions under that mechanism is equal to the single net amount under net settlement and all the following conditions are met:
 - (a) the transactions are settled through the same settlement system or settlement systems using a common settlement infrastructure;
 - (b) the settlement arrangements are supported by cash or intraday credit facilities intended to ensure that the settlement of the transactions will occur by the end of the business day;
 - (c) any issues arising from the securities legs of the securities financing transactions do not interfere with the completion of the net settlement of the cash receivables and payables.

The condition set out in point (c) of the first subparagraph is met only where the failure of any securities financing transaction in the settlement mechanism may delay settlement of only the matching cash leg or may create an obligation to the settlement mechanism, supported by an associated credit facility.

Where there is a failure of the securities leg of a securities financing transaction in the settlement mechanism at the end of the window for settlement in the settlement mechanism, JIBs shall split out this transaction and its matching cash leg from the netting set and treat them on a gross basis.

Article 429c Calculation of the exposure value of derivatives

1. JIBs shall calculate the exposure value of derivative contracts listed in Annex II of the CRR and of credit derivatives, including those that are off-balance-sheet, in accordance with the Standardised Approach For Counterparty Credit Risk.

When calculating the exposure value, JIBs may take into account the effects of contracts for novation and other netting agreements in accordance with Article 295 of the CRR. JIBs shall not take into account cross-product netting, but may net within the product category as referred to in point (25)(c) of Article 272 of the CRR and credit derivatives where they are subject to a contractual cross-product netting agreement as referred to in point (c) of Article 295 of the CRR.

JIBs shall include in the total exposure measure sold options even where their exposure value can be set to zero in accordance with the treatment laid down in Article 274(5) of Chapter 3 of the PRA Counterparty Credit Risk (CRR) Part.

2. Where the provision of collateral related to derivative contracts reduces the amount of assets under the applicable accounting framework, JIBs shall reverse that reduction.
3. For the purposes of paragraph 1 of this Article, JIBs calculating the replacement cost of derivative contracts in accordance with Article 275 of Chapter 3 of the PRA Counterparty Credit Risk (CRR) Part may recognise only collateral received in cash from their counterparties as the variation margin referred to in that Article 275, where the applicable accounting framework has not already recognised the variation margin as a reduction of the exposure value and where all the following conditions are met:
 - (a) for trades not cleared through a qualifying central counterparty, the cash received by the recipient counterparty is not segregated;
 - (b) the variation margin is calculated and exchanged at least daily based on a mark-to-market valuation of derivatives positions;
 - (c) the variation margin received is in a currency specified in the derivative contract, governing master netting agreement, credit support annex to the qualifying master netting agreement or as defined by any netting agreement with a qualifying central counterparty;
 - (d) the variation margin received is the full amount that would be necessary to extinguish the mark-to-market exposure of the derivative contract subject to the threshold and minimum transfer amounts that are applicable to the counterparty;
 - (e) the derivative contract and the variation margin between the JIB and the counterparty to that contract are covered by a single netting agreement that the JIB may treat as risk-reducing in accordance with Article 295 of the CRR.

Where a JIB provides cash collateral to a counterparty, and that collateral meets the conditions set out in points (a) to (e) of the first subparagraph, the JIB shall consider that collateral as the variation margin posted with the counterparty and shall include it in the calculation of the replacement cost.

For the purposes of point (b) of the first subparagraph, a JIB shall be considered to have met the condition set out therein where the variation margin is exchanged on the morning of the trading day following the trading day on which the derivative contract was stipulated, provided that the exchange is based on the value of the contract at the

end of the trading day on which the contract was stipulated.

For the purposes of point (d) of the first subparagraph, where a margin dispute arises, JIBs may recognise the amount of non-disputed collateral that has been exchanged.

4. For the purposes of paragraph 1 of this Article, JIBs shall not include collateral received in the calculation of the Net Independent Collateral Amount, except in the case of derivative contracts with Clients where those contracts are cleared by a qualifying central counterparty.
5. For the purposes of paragraph 1 of this Article, JIBs shall set the value of the multiplier used in the calculation of the potential future exposure in accordance with Article 278(1) of Chapter 3 of the PRA Counterparty Credit Risk (CRR) Part to one, except in the case of derivative contracts with Clients where those contracts are cleared by a qualifying central counterparty.
6. By way of derogation from paragraph 1 of this Article, JIBs may use the Simplified Standardised Approach For Counterparty Credit Risk or the Original Exposure Method to determine the exposure value of derivative contracts listed in points 1 and 2 of Annex II of the CRR, but only where they also use that method for determining the exposure value of those contracts for the purpose of meeting the own funds requirements set out in Article 92 of the CRR.

Where JIBs apply one of the methods referred to in the first subparagraph, they shall not reduce the total exposure measure by the amount of margin they have received.

Article 429d Additional provisions on the calculation of the exposure value of written credit derivatives

1. For the purposes of this Article, 'written credit derivative' means any financial instrument through which a JIB effectively provides credit protection, including credit default swaps, total return swaps and options where the JIB has the obligation to provide credit protection under conditions specified in the options contract.
2. In addition to the calculation laid down in Article 429c of this Chapter, JIBs shall include in the calculation of the exposure value of written credit derivatives the effective notional amounts referenced in the written credit derivatives reduced by any negative fair value changes that have been incorporated in Tier 1 Capital (Leverage) with respect to those written credit derivatives.
3. JIBs shall calculate the effective notional amount of written credit derivatives by adjusting the notional amount of those derivatives to reflect the true exposure of the contracts that are leveraged or otherwise enhanced by the structure of the transaction.
4. JIBs may fully or partly reduce the exposure value calculated in accordance with paragraph 2 by the effective notional amount of purchased credit derivatives, provided that all the following conditions are met:
 - (a) the remaining maturity of the purchased credit derivative is equal to or greater than the remaining maturity of the written credit derivative;
 - (b) the purchased credit derivative is otherwise subject to the same or more conservative material terms as those in the corresponding written credit derivative;
 - (c) the purchased credit derivative is not purchased from a counterparty that would

- expose the JIB to Specific Wrong-Way risk, as defined in point (b) of Article 291(1) of the CRR;
- (d) where the effective notional amount of the written credit derivative is reduced by any negative change in fair value incorporated in the JIB's Tier 1 Capital (Leverage), the effective notional amount of the purchased credit derivative is reduced by any positive fair value change that has been incorporated in Tier 1 Capital (Leverage);
 - (e) the purchased credit derivative is not included in a transaction that has been cleared by the JIB on behalf of a Client or that has been cleared by the JIB in its role as a Higher-Level Client in a Multi-Level Client Structure and for which the effective notional amount referenced by the corresponding written credit derivative is excluded from the Total Exposure Measure in accordance with point (g) or (h) of the first subparagraph of Article 429a(1) of this Chapter, as applicable.

For the purpose of calculating the potential future exposure in accordance with Article 429c(1), JIBs may exclude from the netting set the portion of a written credit derivative which is not offset in accordance with the first subparagraph of this paragraph and for which the effective notional amount is included in the Total Exposure Measure.

- 5. For the purposes of point (b) of paragraph 3:
 - (a) if a JIB provides written protection via some type of credit derivative, the JIB may only recognise offsetting from another purchased credit derivative to the extent that the purchased protection is certain to deliver a payment in all potential future states;
 - (b) 'material term' means any characteristic of the credit derivative that is relevant to the valuation thereof, including the level of subordination, the optionality, the credit events, the underlying reference entity or pool of entities, and the underlying reference obligation or pool of obligations, with the exception of the notional amount and the residual maturity of the credit derivative; and two reference names shall be the same only where they refer to the same legal entity.
- 6. By way of derogation from point (b) of paragraph 3, JIBs may use purchased credit derivatives on a pool of reference names to offset written credit derivatives on individual reference names within that pool where the pool of reference entities and the level of subordination in both transactions are the same.
- 7. JIBs shall not reduce the effective notional amount of written credit derivatives where they buy credit protection through a total return swap and record the net payments received as net income, but do not record any offsetting deterioration in the value of the written credit derivative in Tier 1 Capital (Leverage).

8. In the case of purchased credit derivatives on a pool of reference obligations:
 - (a) JIBs may reduce the effective notional amount of written credit derivatives on individual reference obligations by the effective notional amount of purchased credit derivatives in accordance with paragraph 3 only where the protection purchased is economically equivalent to buying protection separately on each of the individual obligations in the pool;
 - (b) if a JIB purchases credit protection on a pool of reference names through credit derivatives, but the credit protection purchased does not cover the entire pool, then the written credit derivatives on the individual reference names may not be offset;
 - (c) by way of derogation from (a) and (b), purchased credit protection may offset written credit derivatives on a pool where the credit protection purchased through credit derivatives covers the entirety of the subset of the pool on which the credit protection has been sold.

[Note: This rule corresponds to paragraphs (5) to (7) of Article 429a of the CRR as it applied immediately before revocation by the UK Treasury.]

Article 429e Counterparty credit risk add-on for securities financing transactions

1. In addition to the calculation of the exposure value of securities financing transactions, including those that are off-balance-sheet in accordance with Article 429b(1) of this Chapter, JIBs shall include in the Total Exposure Measure an add-on for counterparty credit risk calculated in accordance with paragraph 2 or 3 of this Article, as applicable.
2. JIBs shall calculate the add-on for transactions with a counterparty that are not subject to a master netting agreement that meets the conditions set out in Article 206 of the CRR on a transaction-by-transaction basis in accordance with the following formula:

$$E_i^* = \max\{0, E_i - C_i\}$$

where: = the add-on;

E_i = the add-on;

i = the index that denotes the transaction;

E_i = the fair value of securities or cash lent to the counterparty under transaction i ; and

C_i = the fair value of securities or cash received from the counterparty under transaction i .

JIBs may set

E_i^*

equal to zero where E_i is the cash lent to a counterparty and the associated cash receivable is not eligible for the netting treatment set out in Article 429b(4) of this Chapter.

3. JIBs shall calculate the add-on for transactions with a counterparty that are subject to a master netting agreement that meets the conditions set out in Article 206 of the CRR on an agreement-by-agreement basis in accordance with the following formula:

$$E_i^* = \max \left\{ 0, \sum_i E_i - \sum_i C_i \right\}$$

where:

E_i^*
= the add-on;

i = the index that denotes the netting agreement;

E_i = the fair value of securities or cash lent to the counterparty for the transactions that are subject to master netting agreement i ; and

C_i = the fair value of securities or cash received from the counterparty that is subject to master netting agreement.

4. For the purposes of paragraphs 2 and 3, the term counterparty includes also tri-party agents that receive collateral in deposit and manage the collateral in the case of tri-party transactions.
5. By way of derogation from paragraph 1 of this Article, JIBs may use the method set out in Article 222 of the CRR, subject to a 20% floor for the applicable risk weight, to determine the add-on for securities financing transactions including those that are off-balance-sheet. JIBs may use that method only where they also use it for calculating the exposure value of those transactions for the purpose of meeting the own funds requirements as set out in points (a), (b) and (c) of Article 92(1) of the CRR.
6. Where sale accounting is achieved for a repurchase transaction under the applicable accounting framework, the JIB shall reverse all sales-related accounting entries.
7. Where a JIB acts as an agent between two parties in a securities financing transaction, including an off-balance-sheet transaction, the following provisions shall apply to the calculation of the JIB's Total Exposure Measure:
- (a) where the JIB provides an indemnity or guarantee to one of the parties in the securities financing transaction and the indemnity or guarantee is limited to any difference between the value of the security or cash the party has lent and the value of collateral the borrower has provided, the JIB shall only include the add-on calculated in accordance with paragraph 2 or 3, as applicable, in the Total Exposure Measure;
 - (b) where the JIB does not provide an indemnity or guarantee to any of the

- involved parties, the transaction shall not be included in the **Total Exposure Measure**;
- (c) where the JIB is economically exposed to the underlying security or the cash in the transaction to an amount greater than the exposure covered by the add-on, it shall include in the **Total Exposure Measure** also the full amount of the security or the cash to which it is exposed;
 - (d) where the JIB acting as agent provides an indemnity or guarantee to both parties involved in a securities financing transaction, the JIB shall calculate its total exposure measure in accordance with points (a), (b) and (c) separately for each party involved in the transaction.

Article 429f Calculation of the exposure value of off-balance sheet items

1. JIBs shall calculate, in accordance with Article 111(1) of the **Credit risk: standardised approach (CRR)** part, the exposure value of off-balance-sheet items, excluding derivative contracts listed in Annex II of the **CRR**, credit derivatives, securities financing transactions and positions referred to in **Article 429d** of this Chapter.

Where a commitment refers to the extension of another commitment, **Article 166(9)** of the **CRR** shall apply.

2. By way of derogation from **paragraph 1**, JIBs may reduce the credit exposure equivalent amount of an off-balance-sheet item by the corresponding amount of specific credit risk adjustments. The calculation shall be subject to a floor of zero.

By way of derogation from **paragraph 1** of this Article, JIBs shall apply a conversion factor of 10% to low-risk off-balance-sheet items referred to in point (d) of **Article 111(1)** of the **CRR**.

Article 429g Calculation of the exposure value of regular-way purchases and sales Awaiting settlement

1. JIBs shall treat cash related to regular-way sales and securities related to regular-way purchases which remain on the balance sheet until the settlement date as assets in accordance with point (a) of Article 429(4) of this Chapter.
2. JIBs that, in accordance with the applicable accounting framework, apply trade date accounting to regular-way purchases and sales which are awaiting settlement shall reverse out any offsetting between cash receivables for regular-way sales awaiting settlement and cash payables for regular-way purchase awaiting settlement allowed under that framework. After JIBs have reversed out the accounting offsetting, they may offset between those cash receivables and cash payables where both the related regular-way sales and purchases are settled on a delivery-versus- payment basis.
3. JIBs that, in accordance with the applicable accounting framework, apply settlement date accounting to regular-way purchases and sales which are awaiting settlement shall include in the total exposure measure the full nominal value of commitments to pay related to regular-way purchases.

JIBs may offset the full nominal value of the commitments to pay related to regular-way purchases by the full nominal value of cash receivables related to regular- way sales awaiting settlement only where both of the following conditions are met:

- (a) both the regular-way purchases and sales are settled on a delivery-versus-payment basis;
- (b) the financial assets bought and sold that are associated with cash payables and receivables are fair valued through profit and loss and included in the JIB's trading book.