Instructions for the Completion of the Leverage Ratio Return (CB100LR)

Purpose

The Leverage Ratio Return (CB100LR) will determine the leverage position of licensees and financial holding companies (hereafter referred to as reporting institutions) in line with the requirements of the Central Bank's "*Leverage Ratio Guideline*".

These instructions provide guidance on the completion of the Leverage Ratio Return and should be used in conjunction with the Central Bank's "*Leverage Ratio Guideline*".

Frequency of Reporting

Reporting institutions are required to report individual submissions on the leverage ratio on a monthly basis and consolidated submissions on a quarterly basis. The Leverage Ratio Return is to be submitted to the Central Bank at the same time as the risk based capital return i.e. within twenty working days of the last day of the month (or quarter for consolidated submissions) for which the Return is due.

Scope of Reporting

Reporting on the leverage ratio is required from licensees on both an individual and consolidated basis (as applicable) and from financial holding companies on a consolidated basis only in accordance with the rules specified in regulation 4 of the Financial Institutions (Capital Adequacy) Regulations, 2020.

Unit of Measure and Reporting Values

Reporting institutions must report all values in thousands of Trinidad and Tobago dollars (TTD $000s).

General Instructions

WORKSHEET 1. LEVERAGE RATIO CALCULATION

The leverage ratio schedule contains three (3) sections: -

Section A collects information on the four (4) broad categories of exposures for which the calculation of exposure measure is required under the leverage ratio framework:-

1. **On-balance sheet exposures**

Financial institutions must include all on-balance sheet assets, including on-balance sheet derivatives collateral and collateral for securities financing transactions (SFTs), but excluding on-balance sheet derivative and SFT assets.

Specific provisions and accounting valuation adjustments shall be deducted from gross assets. In addition, balance sheet assets deducted from Tier 1 capital, and receivables in respect of cash variation margin provided in derivatives transactions must also be deducted.

2. **Derivative contracts**

The following items are automatically shown based on data that institutions provide in Worksheet 2, "Derivatives - Details":

(i) derivatives not covered by an eligible bilateral netting contract;
(ii) derivatives covered by an eligible bilateral netting contract; and
(iii) the notional exposure for written credit derivatives.

The bank shall deduct the replacement cost (RC) and the Potential Future Exposure (PFE) of the exempted leg of client-cleared trade exposures.

3. **Security Financing Transactions (SFTs)**

<u>When the bank acts as principal</u>, it shall report Gross SFT assets, after adjusting for Sales Accounting Transactions and other required adjustments, and the Counterparty Credit Risk (CCR) exposure for SFT assets.

<u>When the bank acts as agent</u>, it shall report the CCR exposure and SFT exposure amount of security or cash for which the bank is responsible in excess of the difference between the value of the security or cash its customer has lent and the value of collateral the borrower has provided (if any).

4. **Off-balance sheet (OBS) exposures.**

OBS items are automatically entered in the Worksheet 1 section D once data is entered in Worksheet 3, "OBS – Details".

Section B computes the Tier 1 Capital as determined under the risk based capital rules (after regulatory adjustments and deductions).

Section C computes the leverage ratio of a reporting institution based on its total exposure measure (as derived from Section A) and Tier 1 Capital (as derived from Section B).

WORKSHEET 2. DERIVATIVE EXPOSURES – DETAILS

Banks must calculate the replacement cost and the potential future exposures for both derivatives covered by an eligible netting contract, and for derivatives without eligible netting contracts (table 1).

For credit derivatives, the effective notional amount referenced by the credit derivative is to be included in the exposure measure (table 2).

WORKSHEET 3. OFF BALANCE SHEET ASSETS – DETAILS

Banks shall report the notional amount of OBS assets within each category in the table. The credit equivalent exposure shall be automatically calculated as the product of the notional amount multiplied by the respective Credit Conversion Factor (CCF).

Data Entry and Validations

Similar to the schedules for the calculation of risk based capital requirements:-

(i) data is to be entered in the bordered, numbered white cells only;
(ii) data must NOT be entered in grey cells;
(iii) the default for all cells that require data input is the value “0”;
(iv) no such cell is to be left blank;
(v) a cell highlighted red signals that it has been left blank. Where this occurs the reporting institution should enter data in the cell or return the cell to its “0” default.

Calculation of the Leverage Ratio

In determining the values of the respective reporting items, reporting institutions should refer to the calculation methodology set out in the Central Bank’s “*Leverage Ratio Guideline*”.