



---

# Guideline

---

**Subject: Public Disclosure Requirements related to Basel III Leverage Ratio**

**Category: Accounting and Disclosures**

**No: D-12**

**Date: September 2014**

**Revised: December 2017**

**Effective Date: November 2017 / January 2018<sup>1</sup>**

On January 12, 2014, the Basel Committee on Banking Supervision (BCBS) issued the full text of the *Basel III leverage ratio framework and disclosure requirements*<sup>2</sup> (the BCBS LR Framework). The BCBS LR Framework introduces a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements and includes public disclosure requirements starting January 1, 2015.

This guideline provides clarification on the implementation of the BCBS LR Framework disclosure requirements for all institutions<sup>3</sup> (LR disclosures) and builds on OSFI's April 2017 [Pillar 3 Disclosure Requirements](#) guideline.

---

<sup>1</sup> For institutions with a fiscal year ending October 31 or December 31, respectively.

<sup>2</sup> BCBS January 12, 2014: *Basel III leverage ratio framework and disclosure requirements* <http://www.bis.org/publ/bcbs270.pdf>

<sup>3</sup> Banks and bank holding companies, to which the *Bank Act* applies; federally regulated trust or loan companies, to which the *Trust and Loan Companies Act* applies; and cooperative retail associations, to which the *Cooperative Credit Associations Act* applies; are collectively referred to as “institutions”.



---

## 1. Scope of Application

Domestic Systemically Important Banks (D-SIBs) are required to make disclosures as described in Part 4 of this guideline. All other institutions (“non-D-SIBs”) are required to make disclosures as described in Part 5 of this guideline. Exemption from disclosures applies to institutions that continue to meet the exemption criteria outlined in OSFI’s [Pillar 3 Disclosure Requirements](#) guideline.

## 2. Implementation date and frequency of reporting

OSFI requires D-SIBs to fully implement the disclosures as described in this guideline starting with first quarter 2015 reporting. OSFI requires non-D-SIBs to fully implement the disclosures for year end 2015 reporting. Institutions can disclose additional information at their discretion.

The Basel LR Framework requires disclosures to be made at the same frequency as, and concurrently with, the publication of the financial statements. For those institutions that do not publish financial statements, the LR disclosures should be provided at the same frequency as the publication of their Pillar 3 disclosures.

## 3. Availability of disclosures

As per Paragraph 47 of the BCBS LR Framework, institutions must either disclose required information as described in Part 4 or Part 5 of this guideline within their published financial statements or, at a minimum, provide a direct link to the completed disclosures on their website. Institutions that do not publish financial statements must disclose required information with their other Pillar 3 disclosures as described in OSFI’s [Pillar 3 Disclosure Requirements](#) guideline.

To ensure relevancy and usefulness, public LR disclosures should be made available as soon as practicable but no later than OSFI reporting requirements.<sup>4</sup>

As per Paragraph 48 of the BCBS LR Framework, institutions must make available on their website an ongoing archive of all reconciliation templates, disclosure templates and explanatory tables relating to prior reporting periods. Institutions are required to ensure public access to previously issued Pillar 3 disclosures for a minimum of 12 months; where institutions make investor information available for longer periods, the same archive period should also be used for Pillar 3 disclosures.

## 4. Disclosure requirements for D-SIBs

The disclosure requirements set out in the BCBS LR Framework require D-SIBs to publicly disclose:

---

<sup>4</sup> OSFI reporting requirements for deposit taking institutions : [http://www.osfi-bsif.gc.ca/Eng/fi-if/rtn-rlv/fr-rf/Pages/dti\\_req.aspx](http://www.osfi-bsif.gc.ca/Eng/fi-if/rtn-rlv/fr-rf/Pages/dti_req.aspx)

- 
- i. **Summary comparison table** – D-SIBs are required to report the reconciliation of their balance sheet assets from their financial statements with the leverage ratio exposure measure, using the attached Reporting Table 1 in the Annex I.
  - ii. **Common disclosure template** – D-SIBs are required to provide a breakdown of the main leverage ratio regulatory elements, using the attached Reporting Table 2 in the Annex I.
  - iii. **Reconciliation with public financial statements** – D-SIBs are required to disclose the source of material differences between their total balance sheet assets (net of on-balance sheet derivative and securities financing transaction (SFT) assets) as reported in their financial statements and their on-balance sheet exposures in line 1 of the common disclosure template.
  - iv. **Other** – D-SIBs are required to explain the key drivers of material changes in their Basel III leverage ratio observed from the end of the previous reporting period to the end of the current reporting period (whether the changes stem from changes in the numerator and/or from changes in the denominator).

## 5. Disclosure requirements for non-D-SIBs

Non-D-SIBs are required to provide a breakdown of the main leverage ratio regulatory elements using the attached Reporting Table 3 in the Annex II.

---

## ANNEX I – Reporting Tables for D-SIBs

All tables shown below have been extracted from and should be read in conjunction with the BCBS LR Framework and OSFI’s Leverage Requirements guideline.<sup>5</sup>

**Table 1<sup>6</sup>: Summary comparison of accounting assets vs. leverage ratio exposure measure for D-SIBs**

	Item	In Canadian dollars
1	Total consolidated assets as per published financial statements	
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
4	Adjustments for derivative financial instruments	
5	Adjustment for securities financing transactions (i.e. repo assets and similar secured lending)	
6	Adjustment for off balance-sheet items (i.e., credit equivalent amounts of off-balance sheet exposures)	
7	Other adjustments	
<b>8</b>	<b>Leverage Ratio Exposure</b>	

The following provides the Basel LR Framework description (with references to OSFI’s Leverage Requirements guideline) for each line item in Table 1:

- line 1 should show the D-SIB’s total consolidated assets as per their financial statements;
- line 2 should show adjustments related to investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes, but outside the scope of regulatory consolidation as set out in paragraphs 4 and 15 of the Leverage Requirements guideline;
- line 3 should show adjustments related to any fiduciary assets recognised on the balance sheet pursuant to the institution’s operative accounting framework but excluded from the leverage ratio exposure measure, as described in footnote 4 of the BCBS LR Framework. There is no adjustment for institutions (as defined in footnote 2 of this guideline) as they are subject to IFRS;
- lines 4 and 5 should show adjustments related to derivative financial instruments and securities financing transactions (i.e. repo assets and other similar secured lending), respectively;
- line 6 should show the credit equivalent amount of off balance sheet items, as determined under paragraphs 57 to 65 of the Leverage Requirements guideline;

---

<sup>5</sup> OSFI’s Leverage Requirements Guideline: <http://www.osfi-bsif.gc.ca/Eng/Docs/LR.pdf>

<sup>6</sup> Paragraph 52, BCBS January 12, 2014: *Basel III leverage ratio framework and disclosure requirements* <http://www.bis.org/publ/bcbs270.pdf>

- 
- line 7 should show any other adjustments; and
  - line 8 should show the leverage ratio exposure, which should be the sum of the previous items. This should also be consistent with line 21 of Table 2 below.

D-SIBs should disclose the row numbers as indicated below to ensure that market participants can easily compare D-SIBs both nationally and internationally. Where there is no value in a box, the row can be omitted but the row number must not change.

**Table 2: Leverage ratio common disclosure template for D-SIBs<sup>7</sup>**

*(Explanations of each row are provided on the following page and are taken from page 13 of the BCBS LR Framework.)*

	Item	Leverage Ratio Framework
<b>On-balance sheet exposures</b>		
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	
3	<b>Total on-balance sheet exposures</b> (excluding derivatives and SFTs) (sum of lines 1 and 2)	
<b>Derivative exposures</b>		
4	Replacement cost associated with all derivative transactions (i.e., net of eligible cash variation margin)	
5	Add-on amounts for PFE 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	
7	(Deductions of receivables assets for cash variation margin provided in derivative transactions)	
8	(Exempted CCP-leg of client cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	<b>Total derivative exposures (sum of lines 4 to 10)</b>	
<b>Securities financing transaction exposures</b>		
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk (CCR) exposure for SFTs	
15	Agent transaction exposures	
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposure at gross notional amount	
18	(Adjustments for conversion to credit equivalent amounts)	
19	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	
<b>Capital and Total Exposures</b>		
20	<b>Tier 1 capital</b>	
21	<b>Total Exposures (sum of lines 3, 11, 16 and 19)</b>	
<b>Leverage Ratios</b>		
22	<b>Basel III leverage ratio</b>	

**The following provides the Basel LR Framework description (with references to OSFI's Leverage Requirements guideline) for each line item in Table 2.**

D-SIBs should disclose the row numbers as indicated below to ensure that market participants can easily compare institutions. Where there is no value in a box, the row can be omitted but the row number must not change.

<sup>7</sup> Page 12, Lines 1 to 22: BCBS January 12, 2014: *Basel III leverage ratio framework and disclosure requirements*: <http://www.bis.org/publ/bcbs270.pdf>.

Row number	Explanation
1	On-balance sheet assets (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral) according to paragraphs 14 and 17 to 20 of the Leverage Requirements Guideline.
2	Deductions from Basel III Tier 1 capital determined by paragraphs 4, 15 and 16 of the Leverage Requirements Guideline and excluded from the leverage ratio exposure measure, reported as negative amounts.
3	Sum of lines 1 and 2.
4	Replacement cost (RC) associated with <u>all</u> derivative transactions, (including exposure resulting from transactions described in paragraph 42 of the Leverage Requirements Guideline), net of cash variation margin received and with, where applicable, bilateral netting according to paragraphs 22 to 35 and 40 of the Leverage Requirements Guideline.
5	Add-on amount for all derivatives exposure according to paragraphs 22 to 35 of the Leverage Requirements Guideline.
6	Grossed-up amount for collateral provided according to paragraph 38 of the Leverage Requirements Guideline.
7	Deductions of receivables assets from cash variation margin provided in derivative transactions according to paragraph 40 of the Leverage Requirements Guideline, reported as negative amounts.
8	Exempted trade exposures associated with the CCP-leg of derivative transactions resulting from client cleared transactions according to paragraph 41 of the Leverage Requirements Guideline, reported as negative amounts.
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 paragraphs 45 to 47 of the Leverage Requirements Guideline.
10	Adjusted effective notional offsets of written credit derivatives according to paragraphs 45 to 47 of the Leverage Requirements Guideline and deducted add-on amounts relating to written credit derivatives according to paragraph 48 of the Leverage Requirements Guideline, reported as negative amounts.
11	Sum of lines 4 to 10.
12	Gross SFT assets recognised for accounting purposes with no recognition of any netting other than novation with QCCPs as set out in footnote 30 of the Leverage Requirements Guideline, removing certain securities received as determined by paragraph 50 (i) of the Leverage Requirements Guideline and adjusting for any sales accounting transactions as determined by paragraph 53 of the Leverage Requirements Guideline.
13	Cash payables and cash receivables of Gross SFT assets netted according to paragraph 50 (i) of the Leverage Requirements Guideline, reported as negative amounts.
14	Measure of counterparty credit risk for SFTs as determined by paragraph 50 (ii) of the Leverage Requirements Guideline.
15	Agent transaction exposure amount determined according to paragraphs 54 to 56 of the Leverage Requirements Guideline.
16	Sum of lines 12 to 15.
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors according to paragraphs 57 to 65 of the Leverage Requirements Guideline.
18	Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in paragraphs 57 to 65 of the Leverage Requirements Guideline.
19	Sum of lines 17 and 18.
20	Tier 1 capital as determined by paragraph 10 of the Leverage Requirements Guideline.
21	Sum of lines 3, 11, 16 and 19.
22	Basel III leverage ratio according to paragraph 5 of the Leverage Requirements Guideline. (Line 20/21)

## ANNEX II – Reporting Table for non-D-SIBs

The following table has been extracted from and should be read in conjunction with the BCBS LR Framework and OSFI's Leverage Requirements guideline.

**Table 3: Leverage ratio common disclosure template for non-D-SIBs<sup>8</sup>**

(Explanations of each row are provided on the following page and are taken from page 13 of the BCBS LR Framework.)

	Item	Leverage Ratio Framework
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	
3	<b>Total on-balance sheet exposures</b> (excluding derivatives and SFTs) (sum of lines 1 and 2)	
Derivative exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	
5	Add-on amounts for PFE 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	
7	(Deductions of receivables assets for cash variation margin provided in derivative transactions)	
8	(Exempted CCP-leg of client cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	<b>Total derivative exposures (sum of lines 4 to 10)</b>	
Securities financing transaction exposures		
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk (CCR) exposure for SFTs	
15	Agent transaction exposures	
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	
18	(Adjustments for conversion to credit equivalent amounts)	
19	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	
Capital and Total Exposures		
20	<b>Tier 1 capital</b>	
21	<b>Total Exposures (sum of lines 3, 11, 16 and 19)</b>	
Leverage Ratios		
22	<b>Basel III leverage ratio</b>	

<sup>8</sup> Page 12, Lines 1 to 22: BCBS January 12, 2014: *Basel III leverage ratio framework and disclosure requirements*  
<http://www.bis.org/publ/bcbs270.pdf>



**The following provides descriptions of each line item in Table 3.**

Non-D-SIBs should disclose the row numbers as indicated below to ensure that market participants can easily compare institutions. Where there is no value in a box, the row can be omitted but the row number must not change.

<b>Row number</b>	<b>Explanation</b>
1	On-balance sheet assets (excluding derivatives, SFTs and grandfathered securitization exposures, but including collateral) according to paragraphs 14 and 17 to 20 of the Leverage Requirements Guideline.
2	Deductions from Basel III Tier 1 capital determined by paragraphs 4, 15 and 16 of the Leverage Requirements Guideline and excluded from the leverage ratio exposure measure, reported as negative amounts.
3	Sum of lines 1 and 2.
4	Replacement cost (RC) associated with <u>all</u> derivative transactions, (including exposure resulting from transactions described in paragraph 42 of the Leverage Requirements Guideline), net of cash variation margin received and with, where applicable, bilateral netting according to paragraphs 22 to 35 and 40 of the Leverage Requirements Guideline.
5	Add-on amount for all derivatives exposure according to paragraphs 22 to 35 of the Leverage Requirements Guideline.
6	Grossed-up amount for collateral provided according to paragraph 38 of the Leverage Requirements Guideline.
7	Deductions of receivables assets from cash variation margin provided in derivative transactions according to paragraph 40 of the Leverage Requirements Guideline, reported as negative amounts.
8	Exempted trade exposures associated with the CCP-leg of derivative transactions resulting from client cleared transactions according to paragraph 41 of the Leverage Requirements Guideline, reported as negative amounts.
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 paragraphs 45 to 47 of the Leverage Requirements Guideline.
10	Adjusted effective notional offsets of written credit derivatives according to paragraphs 45 to 47 of the Leverage Requirements Guideline and deducted add-on amounts relating to written credit derivatives according to paragraph 48 of the Leverage Requirements Guideline, reported as negative amounts.
11	Sum of lines 4 to 10.
12	Gross SFT assets recognised for accounting purposes with no recognition of any netting other than novation with QCCPs as set out in footnote 30 of the Leverage Requirements Guideline, removing certain securities received as determined by paragraph 50 (i) of the Leverage Requirements Guideline and adjusting for any sales accounting transactions as determined by paragraph 53 of the Leverage Requirements Guideline.
13	Cash payables and cash receivables of Gross SFT assets netted according to paragraph 50 (i) of the Leverage Requirements Guideline, reported as negative amounts.
14	Measure of counterparty credit risk for SFTs as determined by paragraph 50 (ii) of the Leverage Requirements Guideline.
15	Agent transaction exposure amount determined according to paragraphs 54 to 56 of the Leverage Requirements Guideline.
16	Sum of lines 12 to 15.
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors according to paragraphs 57 to 65 of the Leverage Requirements Guideline.
18	Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in paragraphs 57 to 65 of the Leverage Requirements Guideline.
19	Sum of lines 17 and 18.
20	Tier 1 capital as determined by paragraph 10 of the Leverage Requirements Guideline.
21	Sum of lines 3, 11, 16 and 19.
22	Basel III leverage ratio according to paragraph 5 of the Leverage Requirements Guideline. (Line 20/21)