

Bank Liabilities Survey

Compilation guide



BANK OF ENGLAND



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In order to meet its core purposes of monetary and financial stability, the Bank of England needs to understand developments in bank liabilities. These developments are important influences on monetary aggregates, the provision of credit to households and companies, and hence on the overall economic outlook. They also contribute to the assessment of systemic risks.

The Bank therefore monitors a wide range of data on banks' capital positions as well as the volume and price of bank funding. It supports this surveillance with a regular qualitative Bank Liabilities Survey. This exercise is conducted on a quarterly basis, and covers developments in capital, and funding, and implications for the provision of credit to UK households and companies. The survey complements the Credit Conditions Survey, which assesses developments on the asset side of banks' balance sheets.

This guide is intended to help participants in the survey to complete the questionnaires.

This is a voluntary exercise and, as such, responses will not be verified against other returns. Nonetheless, the Bank greatly appreciates respondents completing the survey as accurately as possible, and is very grateful to all who participate.

For additional information, please contact the Head of Monetary Assessment and Strategy Division, Monetary Analysis, at the Bank of England, Threadneedle Street, London EC2R 8AH.

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1 Notes on receipt and return of the survey

1.1 The survey is run on a quarterly basis during March, June, September and December. The surveys will usually be distributed on the penultimate Monday of the previous month. Participants will be asked to complete and return the survey within about a month. The aggregate results will be published in conjunction with the *Credit Conditions Review*.

1.2 For each question, respondents are asked to check one of the boxes provided. If the question is not appropriate, please check the 'N/A' box.

1.3 Additional written comments explaining the answers are very welcome. These may be included in the comments boxes at the end of each question. There is no word limit to the content of the comment boxes, although only around 750 characters will be visible in the comments on screen. If lenders wish to provide more detailed comments, we are happy to receive these via email, mail or fax.

1.4 The Bank may on occasion add *ad hoc* questions to the survey.

1.5 The results of the survey will be collected in Key Survey, in line with the Credit Conditions Survey.

2 Background

2.1 The Bank Liabilities Survey comprises three sections: developments in funding; developments in capital; and implications for the provision of credit to UK companies and households. There is a common sample for each of these three sections.

2.2 The criteria for inclusion in the survey is an estimated market share of more than 1% of lending to the private non-financial sector (defined as the sum of household and private non-financial corporations), or more than 1% of the stock of private non-financial sector deposits, calculated over a twelve-month period. If an institution's market share drops below 0.8% for two consecutive quarters, then they will no longer be invited to respond to the survey.

2.3 The questions relate to changes over the **past three months relative to the previous three months, and over the next three months relative to the latest three months**. For instance, for the March survey, the backward-looking question relates to changes in the period between December and February relative to the period between September and November. The forward-looking question would relate to the period between March and May relative to the period between December and February.

2.4 We are primarily interested in changes over a three-month horizon as this dovetails well with the Bank's forecast, *Credit Conditions Review*, *Inflation Report*, *Quarterly Bulletin* and *Financial Stability Report*.

2.5 When answering the questions, we ask respondents to choose from a series of options. These vary across questions, with the two main forms being a range from 'up a lot' to 'down a lot' and ranging from 'contributing significantly positively' to 'contributing significantly negatively'. Because the exercise is qualitative in nature, we do not want to impose quantitative guidelines as to what constitutes 'a lot' and 'a little'. We encourage lenders to use the available granularity in the response options accordingly. We would also encourage lenders to refer to their responses to previous surveys when judging whether conditions have changed 'a little' or 'a lot'. Participants may request to see their previous survey responses. Requests for this information should be sent to the Head of Monetary Assessment and Strategy Division.

2.6 Responses will be securely stored and retained for as long as the Bank acting reasonably deems necessary for its work.

2.7 Although the Bank welcomes the timeliest data available, we appreciate that it may be difficult for participants to provide information precisely on their activity over the past three months. As such, participants may answer these questions flexibly. For example, it may be easier for participants to report changes in funding


over the period to the end of the previous quarter, or over an internal accounting period. In such cases, participants should inform the Bank, and report on the same basis each quarter.

2.8 Participants should try to abstract from **seasonal trends** in their responses, where possible. For example, funding volumes may always be strong in January and September.

2.9 Changes driven by one-off factors should be reported in the survey responses, although in such cases the comment boxes should be used to alert the Bank to these factors.

3 How to complete the questionnaire

3.1 The survey is distributed, and completed, using an online survey. The unique link that your institution should use to complete this survey will be sent to you when the survey starts. A different link will be sent each quarter, when the survey is launched. When you click on the link, the Bank Liabilities Survey will be loaded in your browser, as in the screenshot below:

 **BANK OF ENGLAND**

Bank Liabilities Survey - 2012 Q4

The Bank of England has a special interest in the evolution of deposits and other liabilities of banks and building societies. The 'Bank Liabilities Survey' covers developments in UK financial institutions' funding and capital, and their implications for monetary aggregates and the supply of credit to households and companies.

Your institution has been selected to complete the survey. We believe that the results should also be of interest to reporting institutions, **and we appreciate your time and effort in completing the survey.**

For some institutions several people will be involved in completing the survey. We have designed the survey to facilitate this. When you click the 'next' or 'submit' button in the survey your responses will be saved. Your colleagues can also access the survey, along with your completed questions, using the unique link emailed to you. This should facilitate multiple people completing the survey. As this link is unique it should not be shared with anyone outside of your institution. Alternatively, you may wish to print off the survey: this can be done by accessing the offline survey ([here](#)).

Details on the offline survey, the online survey and guidance on individual questions can be found in section three of the compilation guide ([here](#)) [PDF link](#)

Section A: Developments in funding

Total funding

1. How have your funding volumes changed over the past three months? How do you plan to change funding volumes over the next three months?

	Down a lot	Down a little	Same	Up a little	Up a lot	N/A
Past three months						
Total funding	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail deposit funding	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other funding	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Next three months						

3.2 For some reporters, several staff may be involved in completing the survey. We have designed the survey to allow this. The unique survey link sent at the start of the survey will allow multiple people within your institution to access and complete the survey: responses will be saved as you advance through the survey (see below for further details) facilitating completion by several people. Alternatively, participants may wish to print a copy of the survey, this can be done by clicking on the link to the offline pdf survey (see above screenshot). The survey can be either completed within the pdf, and sent between colleagues, or printed and filled in by hand. The results can then be entered into the online survey.

3.3 When completing the survey, participants should respond to each question by selecting the appropriate answer, using the mouse. Where a question is not applicable, participants should respond 'N/A'. The questionnaire is set out across a number of pages; these largely reflect the different sections on 'developments in

funding', 'developments in capital' and 'implications for the provision of credit to UK households and companies', although the larger sections are split between pages. Once a page has been completed, participants should advance by pressing the 'next' button (see screenshot below).

3.4 As participants advance through the survey, by clicking the 'next' button, the completed questions will be saved. On the final page of the survey the next button is replaced by a 'submit' button. Clicking the submit button will complete the survey. Should you need to amend your responses you can still return to the survey, using the aforementioned unique link, and change your answers and resubmit them.

7. How has demand for your wholesale debt from the following investors changed over the past three months? How do you expect it to change over the next three months?

	Down a lot	Down a little	Same	Up a little	Up a lot	N/A
Past three months						
All investors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
UK investors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-UK Investors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Next three months:						
All investors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
UK investors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-UK Investors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Past three months:						
Retail investors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other banks	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Money market funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hedge funds	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sovereign wealth funds	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insurance companies and pension funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other asset managers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Next three months:						
Retail investors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other banks	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Money market funds	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hedge funds	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sovereign wealth funds	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insurance companies and pension funds	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other asset managers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other comments (optional)

 Click 'next' to save and advance

3.5 The survey will not time out, and you can exit the survey at any time by closing the browser, **but please note** that responses will only be saved up to the point you last clicked 'next'.

3.6 You will be informed of the survey deadline when the survey is distributed. Unless otherwise indicated by the Bank, you will not be able to access the survey following the deadline, and survey responses received at that point will be treated as final.

4 Troubleshooting

4.1 If you are unable to access the link, that could be related to firewall restrictions in your institution. You should raise the issue with your IT department in the first instance, and you should also contact the Bank of England via MA-BLSurvey@bankofengland.co.uk to let us know the problem. In cases where participants are unable to resolve access problems, our 'offline survey' can be completed, accessed from the Bank of England website: www.bankofengland.co.uk/publications/Pages/other/monetary/bls/default.aspx

4.2 The 'offline survey' is completed in a similar way to the online survey. The document should be opened in Adobe Acrobat. Participants should select the appropriate response to each question using the mouse, or select 'N/A' where the question is not applicable. The survey can be saved at any time by clicking file>save, and can be sent on to colleagues to complete. Once the offline survey is complete, you can click the submit button, which will automatically submit the response to the Bank of England, by standard email. If you prefer to submit your response manually, then you should save the pdf and send this via your preferred method to MA-BLSurvey@bankofengland.co.uk

If you still experience problems, please contact: MA-BLSurvey@bankofengland.co.uk

5 Frequently asked questions

5.1 Question: Will my institution's inclusion in the sample be publicised? Will the market shares be made known?

Answer: No. The Bank will not publish details of the sample sizes, the sample members or the weights applied to each respondent's results.

5.2 Question: Will it be possible to infer the responses of individual institutions from the aggregate survey results?

Answer: No. The Bank will only publish aggregate results, from which it will not be possible to infer individual respondents. Where responses rates on a given question are low, the aggregate results will be suppressed.

5.3 Question: What happens if my institution misses a round (eg due to internal workloads)? Does this preclude us from future surveys?

Answer: No. This is a voluntary survey. The sample is selected based on market shares, not on response rates. Responses that are not submitted by the stated deadlines will not be included in that round's results. Nonetheless, the Bank greatly appreciates respondents completing the survey as accurately as possible, and is very grateful to all who participate.

5.4 Question: My institution is undergoing a merger — will I be expected to complete two sets of questionnaires?

Answer: No. Any mergers and acquisitions will be accounted for in the market shares and weights applied to the results.

5.5 Question: How do participants benefit?

Answer: This survey will increase the Monetary Policy Committee and Financial Policy Committee's understanding of developments in bank liabilities, and their implications for lending to UK companies and households. Participants may also find the aggregate results useful in their own analyses. The fullest participation is encouraged so as to improve the accuracy of the results.

5.6 Question: Who in my institution should answer the survey?

Answer: This is to each institution's discretion. The Bank anticipates that representatives from an institution's Treasury department would be best placed to respond to the survey. The survey could be completed by one person, or by multiple people.

5.7 Question: My institution has a global treasury department, but you are most interested in conditions for UK companies and households. How should I respond?

Answer: The Bank is primarily interested in how developments in bank funding and capital feed through into loans and deposits in the United Kingdom. Where appropriate, respondents should respond in the context of developments relevant for the UK business.

5.8 **Question:** A number of questions are not relevant for building societies. How should I respond?

Answer: Where questions are not relevant for your institution, you should return a response of 'N/A'.

A General remarks

The Bank is primarily interested in developments in bank liabilities that are relevant for UK money supply and credit conditions for UK companies and households. The questionnaires are therefore intended to capture developments in UK-resident entity balance sheets, rather than global balance sheets (where appropriate). Where developments at a global balance sheet level are important for developments in UK monetary and credit conditions, this should be recorded in the appropriate comments section(s).

The questionnaires refer to developments for households, private non-financial corporations (PNFCs), monetary financial institutions (MFIs) and other financial corporations (OFCs). These are defined as follows (consistent with the sectoral definitions of M4^{ex}):

Households — this refers to individuals, unincorporated businesses and non-profit making institutions serving households.

Private non-financial corporations (PNFCs) are defined as corporations that exist to produce goods and/or provide non-financial services. They are mainly public limited companies, private companies and partnerships where these are distinct from their owners and not owned by government.

Monetary financial institutions (MFIs) are defined as deposit-taking institutions engaged primarily in production of financial services (such as financial intermediation).

Other financial corporations (OFCs) are defined as private financial corporations (other than monetary financial institutions engaged primarily in production of financial services) insurance companies and pension funds and activities auxiliary to financial intermediation (such as fund management).

Any significant developments in the deposits of and lending to **public non-financial corporations** can be reported in the comments boxes provided, but should not be taken into account when answering the questions.

B The funding questionnaire

This section provides question-by-question guidance on the content of the funding questionnaire.

Some questions ask about individual factors that have driven, or are expected to drive changes in funding. Participants should complete all of these boxes, even if there has been no change in their outlook. Participants are requested to check the 'N/A' boxes where appropriate. Comment boxes are available for additional detail, if required.

Funding is intended to capture all forms of liability other than capital. For the definition of capital, see **Section C**. For example, non-common equity Tier 1 and Tier 2 instruments are included in the capital, rather than funding section of the questionnaires.

Where the survey asks about changes in demand or supply of funding, it refers to **changes in the value of sterling and foreign currency funding**.

The survey is intended to capture both public and private issuance.

1. Overall funding

This question asks about participants' funding volumes, and planned funding volumes. The question on planned funding aims to capture the demand for funding by participants, holding constant all other factors including *price* and *non-price terms* and the demand to purchase those liabilities by investors.

Total funding — this refers to all types of non-*capital* liability.

Retail deposit funding — this refers to retail deposits by households and PNFs.

Other funding — this refers to wholesale debt funding, wholesale deposits and funding via central bank operations. Wholesale debt funding includes: *certificates of deposit; commercial paper; structured products; unsecured debt; asset-backed securities* and *covered bonds* (as defined in **Question 6**). Wholesale deposits are defined as those by other MFIs and OFCs.

2. Funding spreads

This question asks about the cost of funding relative to appropriate reference rates.

Retail deposits and *other funding* are defined as in **Question 1**.

The cost of retail deposits should be thought of relative to appropriate reference rates. Where possible, responses should take into account any additional costs paid on deposits, such as bonus introductory rates paid.

The cost of wholesale funding should be thought of relative to appropriate reference rates. Those reference rates are likely to vary across products. For example, it might be most appropriate to think of the costs of wholesale deposits as a spread to overnight index swap rates, while the appropriate reference rate for a five-year senior unsecured bond might be five-year swap rates.

3. Factors affecting household deposits

This question aims to understand the drivers of movements in household deposits.

The question is split into factors largely affecting the demand (need or desire) for deposits by your institution, and factors affecting the supply of deposits by households. Where it is difficult to disentangle the various factors, notes should be made in the comments section.

Demand factors

Rates paid relative to the cost of other liabilities — this aims to understand the extent to which the cost of deposit liabilities has affected the volume of deposits. This could be interpreted either as the absolute rates paid on such deposits, or relative to appropriate reference rates.

Non-price terms — this aims to capture non-price terms affecting the attractiveness of deposits as a source of funding. That could capture, for example, an increase in deposits that had been due to offering less restrictive terms and conditions on withdrawals from deposit accounts, or improved ancillary services provided on business accounts.

Market share objectives — this refers to changes in deposit volumes that are driven by changes in competitive objectives and behaviour, as opposed to underlying fundamentals. For example, lenders may adjust their rates, or change the level of promotional activity, relative to the other lenders in the market.

Regulatory drivers — this refers to changes that are due to regulatory factors. That would most obviously include regulation by the FSA. Respondents should consider both actual and prospective regulation, where relevant.

Funding structure objective (excluding those driven by regulation) — this question asks about changes in deposit volumes that are due to strategic decisions to change participants' liability structure, but excluding changes made due to regulatory factors.

Supply factors

Changing supply of deposits by households, unrelated to rates paid or non-price terms on those deposits — this question aims to capture household demand for holding deposits, holding constant supply factors. For example, if customer deposit flows had increased following a rise in the rates paid on deposit accounts, that would only indicate a rise in demand for deposits if the rise in inflows were larger than would have been expected given the increased rate.

4. Factors affecting deposits from PNFCs

This question aims to understand the drivers of movements in PNFCs' deposits.

The demand and supply factors listed as potentially affecting movements in deposits are defined as in **Question 3**.

5. Factors affecting deposits from OFCs

This question aims to understand the drivers of movements in OFCs' deposits.

The demand and supply factors listed as potentially affecting movements in deposits are defined as in **Question 3**.

6. Wholesale funding

This question asks about participants' funding, and planned funding, from a range of market wholesale debt instruments. It asks about the *proportions* of funding, rather than the *absolute* volume. Please *exclude direct* funding through central bank operations in your responses to this question. However, funding against securities obtained via central bank operations should be included (for example, under short-term or long-term repo).

Where new forms of wholesale debt funding are being issued, these should be included in the comments section at the end of the question.

The question aims to distinguish between **short-term** and **long-term** funding products. The definition of short term and long term should be interpreted at participants' discretion. But the Bank expects that issuance with original maturity of less than or equal to twelve months would be classified as short-term, while maturities in excess of twelve months would be classified as long-term. Where shorter-term funding is included in issuance (for example such as 2a-7 tranches in RMBS transactions), these should nonetheless be included in this section, using the comment section to note where such issues are important.

Proportion of public/private issuance — refers to the proportion of issuance in public markets relative to private markets.

Proportion of short-term/long-term issuance — refers to the proportion of issuance in short-term markets relative to term markets.

Short-term issuance

Answers in this sub-section should approximately 'balance', such that if, for example, the proportions of short-term issuance accounted for by certificates of deposit, commercial paper and short-term repo all fall, then the proportion of short-term issuance accounted for by unsecured borrowing should increase.

Certificates of deposit — A certificate issued by your institution acknowledging a deposit for a specified period of time and interest rate.

Commercial paper — A promise to pay a certain amount on a stated maturity date, (both secured and unsecured by collateral).

Short-term repo/securities lending — short-term repo refers to the sale of securities for cash coupled with an agreement to repurchase securities at a later date, at a specified price. Short-term securities lending refers to the temporary transfer of financial securities, such as equities and bonds, from a lender to a borrower. The lender usually requires the borrower to provide cash or securities to collateralise the loan.

Unsecured borrowing including deposits from OFCs and interbank deposits — refers to wholesale short-term unsecured borrowing.

Long-term issuance

Answers in this sub-section should approximately 'balance', as explained in the short-term issuance sub-section.

Long-term repo/securities lending — see above.

Structured products: structured notes — refers to any debt structured note products.

Structured products: other — refers to any forms of structured products other than structured notes.

Senior unsecured debt — refers to any longer-term unsecured debt issuance.

Asset-backed securities (excluding covered bonds) — refers to any form of long-term wholesale debt instrument backed by collateral, such as residential mortgage-backed securities, and commercial mortgage-backed securities, but excluding covered bonds.

Covered bonds — refers to all covered bonds whether regulated or not, publicly or privately placed, and backed by pools of assets, including residential mortgage loans, commercial mortgage loans, public sector loans and shipping loans.

7. Investor demand for wholesale debt

This question asks about investor demand for wholesale debt funding. The aim of this question is to abstract from changes in investor demand that are due to changes in the supply of wholesale debt instruments.

The Bank is primarily interested in the end-investors in wholesale debt instruments. Where it is known that intermediaries are acting for end-investors in a transaction, try to include information about the end-investor, where known. If not known, continue to record information about the intermediary.

Responses should cover reverse enquires in addition to other demand.

All investors — refers to all investors.

UK investors — refers to investors primarily based in the United Kingdom.

Non-UK investors — refers to investors primarily based outside the United Kingdom.

Retail investors — refers to demand from households directly, rather than via other investment vehicles.

Other banks — refers to other monetary and financial institutions.

Money market funds — refers to money market mutual funds, which are required to invest in short term, low risk financial instruments.

Hedge funds — refers to all types of hedge fund.

Sovereign wealth funds — includes any type of sovereign wealth fund and overseas central banks.

Insurance companies and pension funds — refers to all insurance companies and pension funds, both those investing directly in bank debt and those investing via segregated accounts of asset managers.

Other asset managers — includes funds with private client mandates and those managing mutual funds, including retail investment funds but excluding *money market funds*, *sovereign wealth funds* and *hedge funds*.

8. Factors affecting short-term funding

This question asks about the extent to which various factors have affected your issuance, or planned issuance, of wholesale debt instruments with short-term maturity.

Short-term is defined as in **Question 6**.

Demand factors

Need or desire to change size of balance sheet — this refers to the impact that overall balance sheet size has on short-term wholesale funding plans. Liability management exercises should be captured in the notes section at the end of the question.

Asset-liability matching — this refers to the impact of changing composition of assets in driving the maturity of liabilities.

Price/yield — this refers to changes in respondents' desire to issue in short-term wholesale funding markets that are due to changes in price. Price should be thought of as a spread to appropriate reference rates, and should include all price terms (including any new issue premia, if applicable, and fees).

Non-price terms/liquidity — this aims to capture changes in the attractiveness of issuance that are due to non-price terms or market liquidity. Examples of non-price terms are collateral requirements for secured commercial paper and covered bonds.

Regulatory drivers — this aims to capture the influence of any regulatory factors. That would most obviously include regulation by the FSA. Respondents should consider both actual and prospective regulation, where relevant. For example, even if liquidity regulation were not currently binding, respondents might nonetheless have lowered demand for short-term funding in the anticipation that liquidity requirements would tighten in the future.

Supply factors:

Market access — this refers to market conditions across all types of funding. For example, funding raised in short-term markets may be lower than three months earlier because markets are closed.

Investor demand — this could include both changes in reverse enquiries, or respondents' perceptions of the likely demand for issuance in this category.

9. Factors affecting long-term funding

This question asked about the extent to which various factors have affected your issuance, or planned issuance, of wholesale debt instruments with long-term maturity.

Long-term is defined as in **Question 6**.

The demand and supply factors listed as potentially influencing funding are defined as in **Question 9**.

10. Currency of issuance

This question asks about issuance, or planned issuance, across a range of currencies. Where 'other' currency is selected, and a significant proportion is a single currency, respondents should note the currency used in the comments section.

11. Factors affecting currency of issuance

This question asks about the extent to which various factors have influenced the realised currency of non-sterling issuance.

Changes in currency mix of assets — this refers to changes in the asset structure of the balance sheet.

Relative cost of funds: due to currency swap markets — this refers to changes in the relative cost of funds due to the influence of factors in *currency derivative* markets, including, for example, cross-currency basis swaps and foreign exchange swaps.

Relative cost of funds: due to other factors — this refers to changes in the relative cost of funds due to other factors (but excluding conditions in currency swap markets).

Availability of suitably rated currency swap counterparties — this refers to concerns over the reliability of counterparties providing currency swaps (where required).

Differences in regulation in different currency markets — this is intended to capture differences in the regulatory environment in different markets. It should also include the influence of central bank actions in different currency markets.

Differences in investor demand — this could include both changes in reverse enquiries, or respondents' perceptions of the likely demand for issuance in this category.

Differences in market access — this refers to market conditions across currency markets. For example, markets could be closed.

C The capital questionnaire

This section provides question-by-question guidance on the content of the capital questionnaire.

Some questions ask about individual factors that have driven, or are expected to drive changes in capital. Participants should complete all of these boxes, even if there has been no change in their outlook. Participants are asked to check the 'N/A' boxes where appropriate. Comment boxes are available for additional detail, if required.

Throughout the survey, we define capital to be consistent with the Basel III definitions. For more details on these categories, see: www.bis.org/bcbs/basel3.htm

Common equity capital — this refers to paid-up share capital/common stock (issued and fully paid ordinary shares/common stock) and disclosed reserves created or increased by appropriations of retained earnings or other surplus (for example, share premiums, retained profit, general reserves and legal reserves).

Additional Tier 1 capital — this refers to going concern capital that is not included in common equity Tier 1 (for example, perpetual non-cumulative preference shares).

Tier 2 capital — this refers to subordinated instruments that meet the criteria for Tier 2 and not Tier 1 capital and certain loan loss provision.

The survey refers to the **level** of capital, rather than to capital ratios.

1. Total capital

This question asks about changes in, or planned changes in, the total level of capital.

Total capital is defined as *common equity capital*, *additional Tier 1 capital* and *Tier 2 capital*.

2. Average cost of capital

This question asks about the *average* cost of total capital.

3. Factors affecting total capital

This question asks about the extent to which various factors have influenced changes in total capital.

Direct effects

This question asks about the *direct effects* of profits, losses, regulatory deductions and any other charges on the *total level of capital*. The question asks respondents to distinguish between factors that relate to **UK-specific developments** and those that do not (such as credit losses on foreign subsidiaries). It may be difficult to differentiate developments in this manner, so respondents may have to apply their own judgement.

Demand factors

This question asks about the effect of the following factors on *your demand* for total capital.

Changing economic outlook — this refers to changes in the outlook for output, income, unemployment and inflation. For example if the economic outlook is expected to improve, the probability of default on lending might fall, and so your demand for capital might reduce. Any economic factors not encompassed by this list, but which are thought to be affecting demand for capital, can be explained in the comments box provided.

Strategic decision to increase/reduce risk — this question asks about changes in capital that are attributable to changes in lenders' risk preferences. This should be thought of as your demand for a capital buffer above any regulatory requirement, as opposed to decisions to change the riskiness of your assets, which are covered below ('Changes in riskiness of assets').

Regulatory drivers — this aims to capture the influence of any regulatory factors. That would most obviously include regulation by the FSA. Respondents should consider both actual and prospective regulation, where relevant. For example, where capital buffers were not currently binding, but demand for capital had increased in anticipation of a future increase in regulation, that would be recorded in this question.

Changes in size of balance sheet — this question refers to the impact of a change (or expected change) in the size of assets on your demand for capital. That could capture accounting changes (such as removal of pension corridor approach).

Changes in riskiness of assets — this question refers to both changes in the composition of assets, and changes in the regulatory risk weights applied to the balance sheet. This would be expected to capture changes in demand for capital due to changes in the riskiness of assets outside the participants' control (eg changes in asset performance or regulation), as well as deliberate changes to the risk profile of assets which lead to an increased or decreased demand for capital. For example, if regulatory risk weights on certain assets were increased, your demand for capital might rise; or if you changed the profile of your assets towards less risky types of lending, then your demand for capital might reduce.

Supply factors

Market conditions — this question asks about the impact on capital of changes in market conditions. That could include *market access, price, and investor demand*. Changes could reflect a range of factors, including changes in market sentiment both in general or towards the respondent in particular.

Investor pressure to change volume of capital — this question asks whether changes in capital have taken place, or are expected to take place, due to investor concerns about the ability of respondent to absorb losses.

4. Investor demand for capital

This question asks about *investor demand* for capital. The aim of this question is to abstract from changes in investor demand that are due to changes in the supply of capital by issuers.

The Bank is primarily interested in the end-investors in capital. Where it is known that intermediaries are acting for end-investors in a transaction, participants should aim to include information of the end-investor, where possible. If not known, continue to record information about the intermediary.

The question asks about a range of potential investors, which are defined as in **Question 7**.

5. Factors affecting capital structure

This question asks about the extent to which various factors have influenced the proportion of total capital accounted for by additional Tier 1 and Tier 2 capital instruments (relative to common equity capital).

Most factors are defined as in **Question 15**.

Unlike in **Question 15**, *market conditions* exclude the influence of *investor demand*.

Strategic decision to change mix of capital — this refers to decisions to change the liability structure, for example during a liability management exercise.

D The implications for the provision of credit questionnaire

This section provides question-by-question guidance on the content of the implications for lending questionnaire.

This section mainly covers lending to households and PNFCs.

Comment boxes are available for additional detail, if required.

1. Average cost of funds

This question asks about the cost of providing funding to business units.

This question asks about the **average** absolute cost, in other words the cost of funding the stock of loans, rather than only the flow of new loans.

Where there are significant differences in the costs set to different business units (such as household secured lending relative to lending to PNFCs), participants should use the comment boxes to highlight those differences.

2. Marginal cost of funds

This question asks about the cost of providing funding to business units.

This question asks about the **marginal** absolute cost, in other words the cost of funding the flow of new loans, rather than the average cost of funding the stock of existing loans. This is sometimes referred to as the 'transfer price'.

Where there are significant differences in the costs set to different business units (such as household secured lending relative to lending to PNFCs), participants should use the comment boxes to highlight those differences.

3. Instruments affecting marginal cost of funds

This question asks about how different sources of funding and reference rates have affected/are expected to affect the marginal source of funds (sometimes referred to as the transfer price). Respondents should take account of changes in the cost of issuance and the importance of the instrument in determining the transfer price when answering this question. For example, if short-term wholesale funding had become much cheaper, but was not an important component of the transfer price, respondents might answer 'Same' or 'Down a little'.

Equity capital — this refers to *common equity capital*.

Debt capital — this refers to *additional Tier 1 capital* and *Tier 2 capital*.

Retail deposits — this includes deposits from PNFCs and households.

Short-term wholesale funding — this is defined as in **Questions 1** and **6**.

Long-term secured wholesale funding — this is defined as in **Questions 1** and **6**.

Long-term unsecured wholesale funding — this is defined as in **Questions 1** and **6**.

Swaps or reference rates — this refers to the reference rates to which funding spreads are quoted (this could be overnight index swap rates for wholesale deposit or five-year swap rates for five-year senior unsecured bonds, for example).

4 Frequency of marginal cost of funds update

This question asks about the frequency at which the marginal absolute cost of providing funds to business units (sometimes referred to as the transfer price) is updated.